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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

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President A. W. Clausen

Alphabetical files

Environment, Population and Natural Resources

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February 22, 1984

Mr. V. Rajagopalan, PPD

James A. Lee, PPDES

75366

Response of the World Bank - 1983 U.S. Congressional Hearings on the
Environmental Activities of the Multilateral Development Banks

1. Attached is a letter from the major environmental organizations to the Chairman of the U.S. Congressional Subcommittee on International Development Institutions and Finance, expressing their collective reaction to the Bank's response to the testimony.
2. Further to this matter, the senior officials of these organizations have requested, and been granted, a meeting with Mr. Clausen to discuss the Bank's consideration of their recommendations.
3. Additional hearings on the subject of environment and the multi-lateral development assistance institutions are scheduled for March; and, these organizations have indicated they also intend to testify at the hearings on the VII IDA replenishment.
4. As I pointed out in earlier memoranda on this subject, the political importance of these organizations cannot be overemphasized. As friends and supporters of the work of the Bank, their views and recommendations are deserving of serious consideration at the highest management levels.

Attachment

cc: Messrs. W. Stanton, IPA
R. Southworth, EXC ✓

JALee:on

Natural Resources Defense Council, Inc.

1725 I STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006
202 223-8210

New York Office
122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office
25 KEARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

February 15, 1984

The Honorable Jerry Patterson, Chairman
Subcommittee on International Development
Institutions and Finance
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Patterson:

We recently received the response of the World Bank which you requested in July, 1983 to address the questions we raised in testimony presented at the first two hearings last June on the multilateral banks and the environment. For the past seven months we have awaited the World Bank's response with anticipation, since we viewed the hearings as a first step in a constructive and mutually enriching dialogue between national environmental groups, the Congress, and the Banks on the importance of environmental management for sustainable economic development. Our efforts have been based on our longer term goal of building up a more active constituency for U.S. supported multilateral assistance in our national memberships and on our awareness that the multilaterals, and especially the World Bank, have publicly committed themselves on numerous occasions and at the highest level to the inseparability of sound environmental planning and viable economic development.

We are gravely disappointed and profoundly disturbed by the evasive, unconstructive, reactive tone and content of the World Bank's response. Rarely does the Bank join the issues or address the substance of questions in a forthright manner; often it completely evades the central concerns of the testimony. In other instances, the response explicitly or implicitly abdicates and denies the Bank's responsibility for effectively dealing with environmental matters that are, in our opinion, crucial to development.

Although we are preparing a longer, point by point response, we are so concerned by the implications of the Bank's reaction that we feel compelled to communicate now the very great concern

New England Office: 16 PRESCOTT STREET • WELLESLEY HILLS, MA. 02181 • 617 237-0172
Public Lands Institute: 1720 RACE STREET • DENVER, CO. 80206 • 303 377-9740

that our initial reading has aroused. Given the scope and impact of the Bank's lending, we wish to communicate to the Congress, the Treasury Department and the Bank the urgent preliminary observations that follow.

Our testimony seriously understated the gravity of the problem of environmental understaffing. We recently learned that the Director of the Office of Environmental and Scientific Affairs (OESA) has only one professional (the Bank has over 5,500 employees) who is involved in the review of the environmental consequences of over 300 new and hundreds of ongoing projects a year, totaling over \$15 billion annually in loans and credits. The other professionals in OESA are on loan to the Bank's Economic Development Institute, or focus on the review of a specific category of subprojects; one position is vacant.

The disparity between the responsibilities the Bank ascribes to OESA and its staffing, particularly with respect to critical pre-project review, is so enormous that it could risk undermining the creditability of the Bank as an institution in the eyes of the millions of environmentally conscious Americans who form the membership of the organizations which testified last June. It is urgent that something be done to address this problem.

The Bank did not respond directly to the question of the adequacy of its environmental staffing; rather than acknowledging the situation--the facts of which are indisputable,--it stated that "the World Bank, with its Office of Environmental Affairs, is the oldest, largest and most experienced institution dealing with these issues . . ." (Response, p.2) This statement--because it is absolutely true--underscores even more the urgency of the need to address the staffing problem.

We are communicating these preliminary comments because of our concern about the urgency of ongoing environmental deterioration in the developing world. We wish to submit a more detailed response to the Subcommittee to be included in the record of the hearings to be held this spring on authorization of the 7th U.S. replenishment for the International Development Association, and look forward to a continued exploration of these matters in the two next hearings the Subcommittee is planning to hold on the MDBs and the environment in the current Congressional session.

Sincerely,

Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council

Bruce M. Rich, Attorney
International Project
Natural Resources Defense Council

Michael Bean
Director, Wildlife Project
Environmental Defense Fund

Fran Lipscomb
Director, International Activities
National Audubon Society

Barbara Bramble
Director, International Program
National Wildlife Federation

Jack Lorenz
Executive Director
Izaak Walton League of America

Brent Blackwelder
Director, Water Resources
Policy Center
Environmental Policy Center

Liz Raisbeck
Legislative Director
Friends of the Earth, U.S.

Katherine Fuller
Counsel
World Wildlife Fund, U.S.

Pat Scharlin
Director, International Program
Sierra Club

cc: Tom Lovejoy, World Wildlife Fund U.S.
Michael Wright, World Wildlife Fund U.S.
1601 Connecticut Avenue, N.W.
Washington, D.C. 20009

Mr. A.W. Clausen
Dr. James A. Lee, Environmental Advisor
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Mr. James Conrow
Office of Multilateral Development Banks
Robert T. Banque
Office of Multilateral Development Banks
U. S. Treasury Department
15th & Pennsylvania Avenues, N.W.
Washington, D.C. 20002

Lynne Corn
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1206 Longworth Building
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1725 I STREET, N.W.
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Lynne Corn
The Honorable Mike Lowry
Member of Congress
1206 Longworth Building
Washington, D.C. 20515

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OFFICE OF THE PRESIDENT

Mr. Gudelman /
DPP /
GD
→

February 6, 1984

Dear Mr. Stoel:

Just a note to thank you for the letter from you and your colleagues on our Fishery Sector Policy Paper. I have passed it on to my colleagues in our Operations Policy Staff. They will review the issues you raised and will get in touch with you shortly with their response.

Sincerely,



A. W. Clausen

Mr. Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council, Inc.
1725 I Street, N.W., Suite 600
Washington, D.C. 20006

~~cc: Mr. Husain~~

VRSouthworth:sb

OFFICE MEMORANDUM

DATE January 11, 1984

TO Mr. Thomas Blinkhorn, IPA
(through Mr. V. Rajagopalan)

FROM James A. Lee *JAL*

EXTENSION 75366

SUBJECT Bank Environmental Policy

1. The Bank's response to Mr. James Burnham's July 19 request of this subject is attached. As requested, all project-specific points are addressed individually to the extent possible. Where groups of related points raise more general issues of the Bank's environmental policy, this also is discussed, per your request.

2. The prepared statements of the environmental organizations sent to this Office contain much overlap, both in projects and in policy matters. Similarly some policy matters were referred to under different sectoral contexts. Therefore, this response consolidates the specific questions and discusses them together where feasible. Otherwise, the response follows the layout of the statements in the order in which Mr. Burnham sent them.

3. If you need any further assistance, please contact me.

JAL/ds

RESPONSE TO STATEMENTS OF ENVIRONMENTAL ORGANIZATIONS
SENT BY THE U.S. EXECUTIVE DIRECTOR

INTRODUCTION

1. For more than a decade, the World Bank has increasingly addressed the environmental dimensions of economic development. Nearly all of the criticisms raised in these statements refer to projects undertaken ten or more years ago, although the time frame has not always been specified. As a result, the statements may create the misleading impression that past trends continue. The Bank relies on its growing experience with environmental issues to determine the proper course of any necessary change.
2. During this decade, the World Bank recognized its responsibility for protecting environmental systems and natural resources, both of which are essential elements in sustaining economic development. The post of Environmental Adviser was established late in 1970 with the mandate "to review every project for its consequences to the environment." At present, the Bank is counseled in environmental matters by its Office of Environmental Affairs. The Bank's Office of Environmental Affairs (OEA) reviews all Bank, IDA, and IFC projects to determine their likely consequences for the environment, public and occupational health, and social welfare.
3. Every project proposed for financing comes to the attention of OEA early in the project cycle. At that point, OEA collaborates with the Regional/IFC project staff to determine what steps should be taken to ensure that the environmental effects of the project are avoided or kept to a minimum. Many loans (such as structural adjustment loans) have little or no bearing on the environment, and many others (such as those directed toward improved telecommunications, education, nutrition, population planning, health care delivery) will not materially affect the environment. Still other loans--for example, for water supply and sewerage, urban sites and services, road upgrading--routinely specify standard environmental measures, so that only limited overview is provided by the OEA.
4. The OEA reviews projects at the earliest possible stage in the project cycle, that is, during identification, at the "project brief" phase, and during the subsequent preparation phases. The Bank has found that early assessment offers a more effective opportunity to identify the likely consequences and initiate the appropriate strategies. Such environmental assessments might require that a natural process, for example, tidal movements in and flooding of an estuary, offshore sediment transport, migration patterns, or local meteorological events affecting air pollutant emissions, be studied through several cycles or seasons, but a

study of that scale--as important as it may be--is impossible to complete thoroughly in the time available for evaluating projects. In any event, by the time that a proposed project loan reaches the stage of being negotiated with the borrower, the environmental assessment will have been largely completed.

Replies to Points Raised in Statements

5. Testimony of Mr. Jerry Patterson

Q. Mr. Patterson notes that "... of some \$12 billion lent by the World Bank, about \$1 billion, a twelfth of the total, is devoted to pollution control projects, many of them directed at mitigating environmental effects of previous industrial development efforts."

A. Every industrial project financed by the World Bank/IFC over the past decade has included appropriate pollution control and occupational and safety measures. Because pollution control has become an integral element of the process technology, it is difficult to calculate what proportion of the funding for such technology is allocated to the control of pollution. In the past, when pollution control was strictly an "end of the pipe," add-on activity, one could more easily determine the cost of this function. Now that pollution prevention is routinely integrated into the design of projects, its exact cost cannot always be calculated.

The Bank/IFC is seldom called upon to finance the upgrading of pollution control measures in older plants. Where an older plant is to be expanded, however, Bank/IFC financing often includes appropriate measures both for expanding the old plant and for improving the level of pollution control.

6. Testimony of the Environmental Planning Institute (EPI)

Q. The multilateral development banks do a poor job of assessing the social and environmental consequences of large development projects, in part because they devote inadequate staff and budget to the review.

A. This may apply to some development banks since some of them have yet to develop the capability to deal with these elements of the development process. However, the World Bank, with its Office of Environmental Affairs, is the oldest, largest, and most experienced institution dealing with these issues, as noted in the response to item 7 below

7. Testimony of Mr. Bruce M. Rich

Q. The World Bank has prepared a series of environmental checklists and guidelines, but there are no procedures and regulations to ensure their systematic use and early integration into project design. Even if the existing optional guidelines were systematically applied, they would be inadequate.

A. The World Bank has prepared the largest and most comprehensive series of guidelines of any of the development assistance agencies. These guidelines are regularly reviewed, and are updated and expanded as warranted. Many of them are available in French, Spanish, and English. They are widely used by other development organizations throughout the world. Their systematic use and rigorous enforcement would be adequate to ensure that most development projects would not incur serious environmental, health, or sociocultural consequences.

Q. Although the World Bank's Office of Environmental Affairs and the Asian Development Bank's Environmental Unit are making good-faith efforts to perform their functions, they are hamstrung by institutional powerlessness and understaffing. Other Bank staff members rightly perceive that environment has a very low priority apart from public relations. In the case of the IDB and the African Development Bank, the situation is even worse since for all practical purposes, there are no environmental procedures or staff.

Some of the major inadequacies in the existing environmental procedures and measures of the multilateral development banks can be summarized as follows:

- a. The lack of mandatory environmental guidelines and procedures.
- b. Tremendous understaffing of environmental departments when they exist, or complete lack of environmental staffing.
- c. The need to integrate environmental concerns at the earliest possible stage in project identification and preparation. Environmental assessment procedures, if properly designed and executed, are one way of accomplishing this.
- d. Need to establish mechanisms to build in continual assessment and monitoring of environmental factors, not only early but throughout the implementation phase of projects. Use of pesticides is a clear example where some sort of monitoring capacity should be built into projects.
- e. Need to incorporate environmental concerns and planning at the policy-making level in country and sector strategy documents.
- f. Lack of adequate consideration of environmental performance in post-project evaluation.
- g. Need for more environment and natural resources-related projects, including institution building components.
- h. Need for greater environmental accountability in general, both to the public in developing countries and to donor countries, the most important of which is the United States.

A. The World Bank is working towards incorporating these procedures and measures in its operations.

8. Testimonies of National Wildlife Federation (NWF) and Mr. Bruce M. Rich Regarding Country Economic Memoranda/Country Program Papers

- a. The testimony confuses Country Economic Memoranda (CEMs) and Country Program Papers (CPPs), and overstates their impact. Governments do not see CPPs. Although CEMs review economic conditions, they are seldom "a major planning tool."
- b. At present the Bank expresses only a general concern with environmental matters during the review of country development plans. Environmental matters currently receive most Bank attention during the analysis of individual projects.
- c. In the testimony on the CEM for Belize, the Bank is criticized for not drawing attention to the potential benefits to fisheries and tourism of exploiting the barrier reef, but it is thought such exploitation could have a decidedly negative impact on this fragile environment.
- d. Much of the testimony on project analysis is inaccurate and therefore difficult to comment upon. The environmental costs need, in any event, to be weighed against the economic benefits. It is clear that displacement of people is considered an environmental problem and, therefore, handled according to Bank policy.
- e. Concern throughout much of this testimony seems to be directed largely at agricultural projects; little is said about the significant environmental impacts of industrialization (air and water pollution), or urbanization (auto exhaust, sewerage), or energy projects.
- f. Forestry degradation is directly related to higher oil prices and rapid population growth; if these problems could be mitigated, the environment would benefit greatly. Thus, Bank lending in these sectors therefore benefits the environment. The number on the Bank's forestry project lending seems inaccurate as stated on page 18 of Mr. Rich's statement, which refers to 60 percent of Bank lending being "focused on environmental forestry."

Statement of Mr. Bruce M. Rich Concerning Post-audits

Operations Evaluation Department (OED)

9. Periodically the Director of OED forwards to the Bank's Office of Environmental Affairs (OEA) a list of project completion reports (PCRs)

scheduled to be produced in the coming months. The OEA is then invited to specify which of the projects covered by the forthcoming PCRs have significant environmental dimensions. This information is then transmitted to the Regional Offices responsible for the preparation of the PCRs.

10. Attachment I is a group of illustrations from the Bank's evaluation documents demonstrating how this matter is handled. Volume Two of OED's Annual Review for 1983 contains, (Supplement 3 to the Sector Review of Agriculture), a sample of comments on environmental aspects taken from the Project Performance Audit Reports (PPARs) of this sector. A copy of Supplement 3 also is attached.

11. Details of this procedure are outlined in the Annual Report on Operations Evaluation since 1980, which notes that:

The Office of Environmental Affairs (OEA) in the OPS Projects Advisory Staff (PAS) continues to examine the environmental aspects of projects where relevant. Projects due for audit are reviewed by OEA to identify those likely to have environmental implications, and periodically OEA sends a list of such projects to OED. Thirty-two PPARs distributed to the Board in FY83 had been reviewed by OEA. A sample of comments from PPARs on the environmental aspects of the project experience appears in the agriculture section of this year's Annual Review of Project Performance Audit Results.

Testimony of Environmental Policy Institute, Dr. John Horberry, and the National Wildlife Federation.

Natural Resources and Management

12. Policy Implications. The main thrust of the testimony presented by those mentioned above concerns the need for attention to be paid to environmental issues at all stages of the project cycle. Proper management of the developing countries' natural resource base is essential if development is to take place and is to be sustained. However, the documents over-simplify in places, particularly those relating to policy. It is not easy to assess the major trade-offs between environmental concerns and economic development. Occasionally, neither the Bank nor the country has a comprehensive environmental policy on a specific issue. In many countries such a policy does not exist simply because these countries are not yet fully committed to the task of dealing with such environmental issues. Countries having very low incomes and constantly facing uncertainties will tend to overexploit their natural resources. These characteristics are typical of most developing countries. This situation is worsened by institutional (e.g., land tenure), political, economic, and organizational problems.

13. The statement (p. 18, Testimony of the National Wildlife Federation) to "environment and natural resource planning in all sector and country development strategy analyses" refers to all planning--including project preparation, feasibility studies, technical reviews--related to investments in a country. The Bank's work on large projects systematically includes environmental considerations. The testimony of the National Wildlife Federation claims that the Bank fails to consider environmental systems and natural resource management in its country work. When appropriate, environmental concerns are highlighted in the Bank's dialogue with countries. For example, desertification, deforestation, soil erosion, water quality degradation, and implications of fuelwood use for deforestation, are central subjects of discussion in Agricultural and Energy Assessment reports, and related technical documents. The conservation policies that evolve and the institutions that are strengthened or created as a result, continue to promote natural resource conservation.

14. A specific example--the Central Visayas Regional Project, in the Philippines which was approved by the Bank's Executive Directors in December 1983--addresses the complex problem of the relationship between environmental degradation and poverty. Among the activities included in the project are social forestry, forest replanting, control of soil erosion, and rehabilitation of coral reefs. Further, the Bank already is financing a major feasibility study for integrated development of the Magat watershed area under a Watershed Management and Erosion Control Project (Ln. 1890 of 1980). The study includes hydrology and sedimentation monitoring, range management, and the development of land use systems to permit permanent settlement of shifting cultivators. A pilot reforestation component and pilot programs for range management and smallholder agro-forestry also are included.

Testimony of National Congress of American Indians (NCAI)

Indigenous/Tribal People

15. The proposed Chico River Hydroelectric Project in Central Luzon was used in the testimony of the National Congress of American Indians to illustrate the impact of the development policies and goals of international banking institutions on indigenous groups in the Philippines. The testimony implies that Bank support for the construction of a large storage dam did not take into account the impact of this project on the tribal groups living in the area affected. This is misleading, since Bank involvement in overall Chico River Basin development has been very limited, as outlined below.

16. The Bank's Sixth Power Loan to the Philippines (Ln. 1034-PH of 1974), was originally intended for the design of a hydropower dam. However, the Bank subsequently decided not to finance the National Power Corporation (NPC) dam across the Chico River as soon as it became clear that sensitive tribal issues were involved. In 1975, part of the funds, at the request of the Philippine Government, were reallocated and used to finance a feasibility study for a load dispatch center for the NPC in

Manila. Background information and other details, are provided in Attachment II, dated December 1977.

17. The Bank is helping to finance the Chico Irrigation Project, which includes the construction of a low diversion dam (with no storage) and the upgrading of some existing facilities to divert water from the river to irrigate about 20,000 hectares of rice lands. The run-of-river dam and irrigation area are outside the Kalinga tribal area and no tribal people are affected. The loan, signed in 1976, directly benefits some 8,000 farm families and 2,000 landless laborer families totaling 55,000 people. It has involved the relocation of about 20 families (all nontribal), whose resettlement to irrigated land further down the river valley has proved to be satisfactory.

18. The project is economically viable in itself and does not depend on either a storage dam or second stage irrigation development.

19. There has been no further Bank involvement in the Chico River area since these two activities. Furthermore, the Bank has no plans to finance other phases of the Chico River Development, either for irrigation or for power generation, and the Philippine Government has not approached the Bank for any such assistance.

20. The testimony of the National Congress of American Indians (p. 8) refers to the interest of indigenous populations in several countries, including Papua New Guinea (PNG). Although no specifics are provided, in general the testimony opposed "forced acculturation of indigenous populations into states as ethnic minorities." Such forced acculturation would contravene the Bank's explicit policy in this regard. In PNG's multitribal society, the Government itself is sensitive to the interests of the respective groups, and it would not welcome forced acculturation. The Bank's policy on tribal peoples, which avoids these two extremes, will be taken into consideration in all future investment proposals.

Settlement Projects

21. The testimony of the National Wildlife Federation (NWF) on this issue is specific. In several places, the NWF recognizes the Bank's efforts to take into account the varied and difficult ramifications of settlement projects. However, contrary to testimony implications, although most tropical forests grow on poor soils, very small areas are suitable for intensive agriculture of appropriate types. The solution suggested in the testimony--that is, to develop new land with forestry-based settlements--is not always practical and economic. Transmigration in Indonesia is no longer solely (or even mainly) designed to reduce population pressure in Java, but rather to develop natural resources that otherwise could be wasted. Since the testimony emphasizes the environmental dimensions, it pays less attention to the financial, economic, and managerial problems of

implementing a viable resettlement project, although these are often critical. Many prescriptions in the testimony are dependent largely on competent, imaginative project managers at the local level. Such people, more than money or good ideas, are often the scarcest element in land settlement projects. Although the testimony criticizes the Bank and others for going ahead with resettlement projects in conditions of uncertainty and less than perfection, attention also should be paid to the human and ecological costs of not going ahead with projects.

22. With regard to the settlement projects in Brazil, The National Wildlife Federation claims that as a result of the Bank-assisted Northwest Region Program two million hectares will be cleared and the damage will be felt by the local indigenous tribes and ecosystems. The NWF adds, "To its credit, the Bank has acted to ameliorate some of the worst aspects of the ... project by insisting on the demarcation of substantial areas as national parks and tribal reserves."

23. When the Government of Brazil first requested support for the paving of the BR 364 highway, the Bank recognized the risks that would result from simultaneous and uncontrolled invasion of adjacent forest areas. In the light of this risk, the Government and the Bank agreed that as a condition of Bank support for the highway the Bank would have to be involved in a series of projects designed to rationalize subsequent agricultural development in areas adjacent to the highway. The ensuing project preparation paid particular attention to the existence of Amerindians living in adjacent forest areas whose rights to their traditional forest areas had, in the past, often been abrogated and whose reservation boundaries were often unmarked or unclearly marked. In some instances their lands had already been invaded, and in others, no reservation of tribal areas existed. The Bank has consistently requested clarification and demarcation of reservation boundaries and the expulsion of unauthorized squatters as conditions for proceeding with the agricultural projects.

24. The goal of the first two projects in the Northwest Region of Brazil already financed by the Bank is to improve areas where settlements already exist on soils that are relatively suitable for perennial crops--mainly coffee, which is being planted to replace lost production from frost-prone areas in the south of Brazil. The Bank believes that if these relatively better soils are worked, investment in a permanent crop such as coffee on part of the holdings will enable farmers to change their traditional pattern of shifting cultivation to a more stable agriculture and by these means reduce the rate of destruction of the Amazon forest. As the projects began only recently, it is too early to evaluate the achievements. Poor soils adjacent to the settlements will be protected from shifting cultivation and large areas will be made forest reserves.

25. The amount of land suitable for coffee production in Brazil's Northwest Region Development Program area is limited and insufficient to support the influx of settlers that began even before the highway was improved. To accommodate these people it will be necessary to provide

holdings on less favorable soils, and a further project is being appraised that would provide for such settlement on areas carefully selected to avoid soils that are not suitable for any kind of sustained cultivation. These farmers will be encouraged to grow rubber as a permanent crop. Since this is a relatively new crop, however, the risks involved are higher than they were for the crops recommended for the first two projects. Despite the additional risk, arising from the fact that the people are already in the area, these projects offer an opportunity to develop sustainable agricultural systems. The unavoidable alternative is to expose the region to continued shifting cultivation and land degradation. The projects include measures to ensure that the environmental effects of the removal of the forests and the introduction of agriculture will be monitored, that forest reserves will be established to sustain pools of genetic variation, and that research will be undertaken to develop sustainable and economic uses for the forest resource that would bring about minimal change in the environment. During the preparation and appraisal of this series of projects from 1980 to the present time, the Government and the Bank have held a continuing dialogue on sustainable agriculture for the areas, on environmental protection, and on measures to protect the indigenous population.

Transmigration: Indonesia

26. Over the last seventy-five years, 2.5 million people have moved to the Outer Islands, and fewer than 10 percent have returned to Java. Bank assistance has played an important role in reducing the environmental problems associated with such large-scale settlement and in ensuring that sources of income for transmigrants would be improved and become more stable. To this end the Bank has:

- a. improved site selection and evaluation;
- b. addressed the preservation and protection of forest and wildlife preserves;
- c. developed procedures for the recovery of commercially valuable timber on new sites;
- d. introduced settlement based on soil-stabilizing tree crops rather than on annual crops alone;
- e. improved soil conservation; and
- f. established a system to monitor and reduce or mitigate the environmental risks of the transmigration program in general.

27. Early on the Bank expressed concerns to the Government that the production systems then envisaged might prove unsustainable and that, as a result, settlers might be unable to generate a sustained livelihood from their holdings. As a condition of Bank involvement, government standards for the selection of transmigration sites have been raised, the provision

of a tree-crops plot for each settler has been included, and the production systems in general have been redesigned to be more resilient and sustainable.

28. The concern about the environmental aspects of transmigration is understandable. Transmigration is, however, only one of four programs addressing overcrowding and environmental degradation in Java and the other Inner Islands of Indonesia. The others are family planning, industrialization, and watershed management. The Bank has played an active role in each of these efforts. For example, a major effort in watershed management is now being initiated by the Government assisted by USAID and the World Bank. The Indonesian family planning program is one of the most successful in the world and the birth rate in Java has fallen from nearly 3 percent to about 1.8 percent a year.

29. In spite of these achievements, there is widespread under-employment in Java and nearly 53 percent of rural Javanese live below the poverty line. At least 40 percent of the rural poor are landless and another 30 percent have less than subsistence-sized plots. For these reasons, the Government is strongly committed to the transmigration program. The Bank recognizes the risks and uncertainties but decided that the need to assist landless Javanese justified going ahead with the program.

30. The Bank regards proper site selection and evaluation as the key to both sound resource management and improved migrant welfare. For this reason, nearly one-half of the Bank funds committed to transmigration (US\$160m out of US\$350m) have been earmarked for this purpose and all sites evaluated in the next three years will be identified under terms approved by the Bank. These terms are intended to improve long range planning and to permit agencies, including the Forestry Department, to review all selected sites. The plans call for a timber inventory in all forested areas, for the exclusion of all areas located in forest or wildlife reserves, and for severe limitations on the use of production forest for settlement. Sites accepted for the cultivation of annual crops must have both relatively fertile soil and slopes of less than 8 percent. Under these terms, the likelihood of environmental degradation and erosion will be markedly reduced.

31. In special cases where forested areas are to be settled--for example, in conversion forest, or in areas where other projects such as roads or industrial developments would make spontaneous settlement inevitable, the Bank has assisted the Government to develop contracting procedures that ensure timber recovery and to establish policies that return underutilized land to production forest so that the total forested area in each province is maintained. These procedures were first used in Bank-assisted projects, and have since been extended by the Government to its entire transmigration program.

32. In order to improve migrant welfare and, equally important, to reduce erosion and untoward ecological changes, the Bank has encouraged the Government to increase the number of settlements based on perennial crops;

in addition, the last two Bank projects have developed procedures for introducing tree crops into transmigration schemes. These projects have also established a pilot soil conservation program which, if successful, will be extended throughout the transmigration program. Funds have been provided to the Minister for Environment and Population to create monitoring capability for all environmental aspects of the transmigration program.

33. Bank-assisted transmigration projects in swampy areas have also included components to improve long-range planning, limit environmental degradation, and monitor the impact of environmental changes, particularly changes in the salinity of surrounding waters and in offshore fishing. These measures, pioneered in Bank projects, are being extended to other projects.

34. Although it cannot be guaranteed that all settlements will be completely successful or that no environmental problems will be associated with transmigration, the Bank is exerting an important role in reducing the environmental risks associated with large-scale settlement.

35. Referring to the testimony of the National Wildlife Federation, the Bank has not financed activities directly targeted to East Timor.

Testimony of the National Wildlife Federation Concerning
Involuntary Resettlement in Bank-financed Projects

36. The Philippines' Pantabangan Dam was completed in 1977 as part of the Upper Pampanga River Irrigation Project (Loan 637-PH). The only significant environmental aspect of the project was the resettlement of displaced persons. At project inception, neither the National Irrigation Administration (NIA), nor the Bank realized the full magnitude or complexity of the tasks involved in resettling the population displaced by the reservoir formed by the dam. At the time of project appraisal, US\$1.1 million was allocated for relocation in the project cost estimate for the dam. A total of 2,308 families was displaced by the dam. Of these, 187 families were resettled on irrigated rice lands in the dam's service area, and the remaining 2,116 families were, by their own choice, resettled in four newly developed sites on the hills along the southeastern rim of the reservoir. The affected population, mainly located in the small town of Pantabangan, complained that they had not been informed of the need for relocation prior to promulgation of the laws authorizing the project, and did not agree with NIA's plans to resettle them downstream of the dam in the irrigation service area. To obtain an agreement with the population, NIA complied with the demand that resettlement be within the municipal boundaries of the flooded town, so as to preserve its political identity. Despite setbacks caused by delays in the payment of compensation for flooded land, and the need to evacuate 1,000 families ahead of schedule because part of the dam was closed ten months earlier than planned, the resettlement program was physically successful. Settlers were provided with new houses on easy terms, potable water, electric light, schools, community buildings, and good roads. NIA attempted to introduce cottage industries (such as weaving, pottery, and mushroom culture), to

supplement the poor farming potential of the hilly terrain, with mixed results. World Food Program aid was obtained as a transitional measure and NIA provided training for the settlers so that they could be employed in the construction of the Pantabangan Dam and in the reforestation program in the watershed. However, the well-intentioned decision to accede to the population's wishes to be resettled in the nearby hills, rather than in the irrigation area as planned, was not a sound one in retrospect since it could not provide a satisfactory source of livelihood.

37. The Magat Dam Project (Loan 1567-PH), substantially completed in early 1983, involved the resettlement of 306 families affected by the reservoir created by the dam. NIA performed this task well and all affected families were resettled in three locations, all of which have good agricultural potential and will be irrigated year round with water from the Magat Dam. Each of the affected families was provided a home lot measuring 600 m² and three hectares of farmland. NIA built low-cost homes--payment for property in the reservoir was credited to the settlers to offset payments for the land and houses in the new areas--and civic facilities (chapels, schools, water pumps, roads, meeting halls, and recreational facilities). Since the settlers themselves were employed in constructing the settlements, they were not only the beneficiaries of the project, but participants as well. A small-farm production loan was made available to each family for the initial development of farms (which included leveling and the construction of paddy dikes), and for the purchase of farm implements and work animals. In addition, during the first two years after resettlement, irrigation services will be free. NIA also currently provides technical information on irrigated crop production and, on a limited basis, advice on poultry, pig and fish production.

38. The settlers in Magat project have indicated that although, in one sense, they miss their old homes, they are also pleased that they moved. Earlier, most of the settlers were leaseholders, whereas now they own the land they farm. NIA constructed facilities for the settlers that had never been available in their former village. With year-round irrigation and improved farming methods taught by NIA, annual rice production per hectare is about 400 percent higher than the production obtained from their rainfed farms in the old village. Overall, their quality of life has substantially improved and, since families and tribes were settled as groups, they have been able to bring their culture with them to the new communities.

39. In retrospect, the Government's resettlement proposals for the Pantabangan Dam scheme were sound. However, the settlers selected an alternative that was both more costly to the Government and less favorable to themselves. Comparing this outcome with the more successful resettlement operations in the Magat project, one is likely to conclude that the first, and largely emotional, reaction of a society affected by a development project may not always prove to be the a sound basis for development decisions.

40. NWF Continued: Relocations. To date, there have been no cases of "tremendous" relocations in projects in Thailand. Of the projects in

the current lending program, relocation, if it takes place at all, is expected to be minor. However, should the joint Laos/Thailand Pa Mong Hydroelectric Project on the mainstream of the Mekong River materialize, about 100,000--150,000 persons would have to be relocated. In fact, the original design based on a U.S.-sponsored study for the development of hydro capacity at Pa Mong called for the relocation of more than 400,000 people, and for this reason, it was considered unfeasible. In any event, if the Bank were ever to participate in this project, it would insist that a thorough environmental assessment be made well beforehand and that an acceptable resettlement plan be devised to ensure that the affected peoples are adequately relocated.

41. In recent years substantive improvements have been made in Bank policy and procedures pertaining to involuntary resettlement. These changes may not be well known to the groups providing the testimony. In 1977, for example, the Bank undertook a sociological review of successes and failures in the social-human area of involuntary resettlement, with the aim of developing systematic guidelines for future work. This sociological analysis was incorporated in the Bank's overall effort to promote adequate treatment of social issues in projects, and it was the basis for specific guidelines prepared in 1978-79. Sociological workshops have been organized to assist Bank staff concerned with resettlement problems with implementation of these social guidelines. In 1980, a formal policy based on these guidelines was adopted.

42. Bank policy ensures proper treatment of the social aspects of resettlement, and is based on the following principles:

- (1) Adequate sociological study must be carried out on the population likely to be affected by the project.
- (2) All resettlement to be caused by a development project can no longer be left outside the framework of the project, and considered the exclusive task of national agencies. Since the project encompasses all related resettlement, it includes financing for implementation of the resettlement plan wherever Bank lending is involved.
- (3) The Bank now requires that a resettlement plan--which is sufficiently comprehensive and detailed to allow communities to become economically self-sustaining at a level superior to, or, at the very least, equal to that prior to resettlement--be prepared and appraised at the same time as the appraisal of other aspects of the proposed project.
- (4) At the stage of loan negotiation, borrowers are expected to satisfy the Bank that the program is adequate, and that the institutions involved are fully capable of implementing the project's resettlement requirements.

43. To implement the policy adequately, the Bank over the last several years has added sociologist and/or anthropologist consultants to both preparation and appraisal missions for projects involving resettlement. In certain projects (for example, the Yacyreta Hydroproject in Argentina/Paraguay), special arrangements have been made to intensify supervision of the resettlement component by Bank sociologists. The Bank is also encouraging borrowing agencies to increase the use of indigenous sociologists/anthropologists throughout the preparation, design, and implementation of resettlement operations.

44. However, there are two major areas of difficulty. First, the various national agencies involved in civil works construction are typically staffed by technical personnel, who have neither the training nor the capacity to conduct social planning. Second, many national agencies may be hesitant to include sociological plans because such plans increase short-term project costs. Thus, the Bank often has to review with national governments and agencies the application of its policy in order to ensure successful resettlement.

Testimony of The Environmental Policy Institute

Power Projects

45. Safety of Dams. On July 15, 1983, the Bank's Irrigation Adviser received a call from the U.S. Executive Director's office, which relayed a query from the U.S. Department of the Treasury concerning the Bank's policy with respect to "Safety of Dams," and some environmental questions about Bank-financed dams, in addition to the queries raised in the testimony. The Bank informed the Executive Director's office that its general policy with regard to safety of dams was discussed in an article entitled "Financial Aspects of Dam Safety," by the Bank's Irrigation Adviser and recently published in International Water Power and Dam Construction. (See Attachment III.)

46. At the request of the U.S. Executive Director's office, the Bank contacted the U.S. Treasury Department directly to respond to questions stemming from the U.S. Congressional Testimony, which are as follows:

- i. (a) How many significant siltation problems have occurred in connection with Bank-financed dams? (The environmentalists specifically mentioned Mangla, Peri, El Penol, and Bayano dams).
- (b) What measures have been taken to mitigate these siltation problems?
- ii. (a) What percentage of Bank-financed dams have experienced cost overruns? (During 1950-60, 1960-70, 1970-80?)
- (b) What percentage of these overruns were due to environmental oversights?

- iii. To what degree has poor execution of Bank-financed dams resulted in loss of life after construction? (Not during construction.)
- iv. Have any Bank-financed dams subsequently suffered significant failures?

47. In response to questions (iii) and (iv), the Bank stated that it had no knowledge of any loss of life or significant structural failures. However, the Bank mentioned that the Tarbela Dam in Pakistan required major emergency repairs and subsequent work owing to the failure of some features. The Tarbela experience also provided the opportunity to point out that even a panel of dam experts of impeccable international reputation could not guarantee perfection in design or execution. However, the Bank believes that its requirements for experienced designers and contractors, along with an independent panel of experts, are both prudent and responsible.

48. Regarding the "siltation" questions, (i.a, and b), which more precisely refer to the sedimentation processes, the oral response included a discussion of the state of current knowledge in this field. Sedimentation problems have occurred in some Bank-financed projects, but while such problems could affect the life, and therefore the economics, of the project, they seldom, if ever, impair dam safety. Many highly qualified engineers have spent a lifetime in this field, but still find it difficult to make precise quantitative predictions. The Bank agrees that more time and data would be helpful in determining dam safety, but, inevitably, judgments will have to be made as to the relative value of more time and data compared with the risks incurred. Practically all Bank projects specify a life span of 50 years on economic grounds. Whether a 100-year life span for any given project should be justified is a problem that needs to be carefully addressed by national planners. The life span of most reservoirs, in the Bank's experience, has proved to be much longer than predicted.

49. The questions on cost overrun data on dams, referred to in both the testimony of the Environmental Policy Institute and Mr. Bruce M. Rich, and as posed in ii (a, b), would take considerable time and effort to answer accurately and may not be feasible for older projects.

Testimony of the Environmental Policy Institute and National Wildlife Federation

50. Engineering Design, Construction and Operation of Power Projects. For a number of years, the Bank's policy has been to request that environmental assessments be carried out and that their results be taken into account in the design, construction, and eventual operation of power projects. Thus, where applicable, Bank-financed projects have included relocation, water quality control, or reforestation components. During the planning and design stages, the cost of adequate treatment of all environmental matters, as well as those related to settlers or other people affected by the project, are considered to be an integral part of the

project, and thus are included in all economic calculations used to justify the project. Similarly, the estimated life of the project is calculated on the basis of known and foreseeable events (such as sedimentation) and reasonable measures are taken to ensure that the useful life estimated for economic purposes becomes, in fact, the actual life.

51. Khao Laem Dam, Thailand. With regard to this project, the implementing agency, EGAT, is well aware of the geologically difficult foundation conditions at the dam site. This does not mean that dam safety has been compromised, but rather that a meticulous review had to be made of the problems involved and of the proposed engineering design of the dam. In providing partial financing for the project, the Bank insisted that the consultants (IBC) rigorously review the design and subsequently monitor progress of the project, and that both the supervising consultants and general contractors be well qualified for carrying out the projects. Because of the technical risks involved in large hydro projects, the Bank maintains a dam specialist on its staff to liaise and to exchange views with the IBC, and also to form independent opinions concerning the progress of the project.

52. The Bank has long been aware of the importance of protecting the reservoirs from sedimentation due to erosion in the watershed, which can markedly reduce the useful life of the facility. In recent years the Bank has vigorously promoted control measures that would prevent the erosion of catchments, notably in the Himalayas, the Philippines, and in the Colombian Andes. However, the scale of the problem globally is enormous and some countries are unwilling to use loan financing for erosion control measures and protection of forests, the benefits of which will occur in the future and will earn little immediate political recognition. These countries would, perhaps, be more willing to undertake such projects if financing on softer terms was available.

53. In most of the dam projects with which the Bank has been involved in recent years, it has been instrumental in convincing the borrowers and the government of the need to take into account appropriate environmental measures.

Environmental Policy Institute/National Wildlife Federation

Power Projects: Adverse Effects

54. East Africa. The Bank has not itself carried out any studies on the Kariba Dam to evaluate its environmental effects. At the time of the dam's construction in the late 1950s, systematic evaluation of the potential environmental impacts of Bank-financed projects was not common practice. However, its proponents believed at the time that the project's anticipated benefits to (what was then) Northern and Southern Rhodesia would far outweigh its potential adverse effects.

55. Sector studies carried out recently by the Bank in Zambia and Zimbabwe indicate a rise in recent years in the prevalence of malaria and schistosomiasis. However, malaria has increased not only in the Kariba

area, but in all areas where it is endemic. The primary reason for its resurgence in Zimbabwe has been a virtually complete breakdown in malaria control measures for reasons of security. In Zambia, the breakdown in logistics and supplies has seriously impaired pesticide spraying in the past few years. Further epidemiological studies will be necessary to determine how much of the increase in the incidence of both these diseases can be attributed to the environmental/social effects of the dam.

56. Ever since the Office of Environmental Affairs was established in 1971, the Bank routinely assesses each dam project (starting early in the design phase) for possible adverse environmental and health effects long before it is submitted for approval to the Board of Executive Directors.

57. West Africa. The World Bank lending for hydropower in FY80-82 was \$1.7 billion (not \$6 billion, as presented in the testimony of the National Wildlife Federation). Estimates for hydropower projects in the developing countries over the next two decades are about \$400 billion (not \$100 billion).

58. Four hydroelectric projects in West Africa have been partly financed by the World Bank. They are:

- . Akosombo, Ghana (1962)
- . Kainji, Nigeria (1964, 1968)
- . Mount Coffee, Liberia (1970, 1971)
- . Kpong, Ghana (1977)

59. The Ghana project mentioned in the testimony by the NWF refers to the Volta River Project (Loan 310-GH of 1962), which financed the construction of the Akosombo Dam, a power generating plant, and transmission grid. The Bank provided a \$47.0 million loan to help implement the project and the United States (AID and Exim Bank) and U.K. Export Credit Department together provided loans totalling \$31.0 million. The project was completed in early 1966. As a result of the formation of the head pond, nearly 80,000 people had to be resettled. They were finally relocated in 52 resettlement townships. Because the resettlement team was mobilized only after construction of the dam began, and because the flooding started before schedule, the relocation program became more of an emergency measure. In addition, the Volta River Authority had no previous experience in involuntary resettlement programs and had to rely on considerable inputs--which were not always forthcoming--from other governmental agencies. Once the people were resettled, problems emerged, especially with respect to the agricultural program, housing, water supply, and health hazards caused by waterborne diseases. Some of the resettlement towns are now deserted or gradually deteriorating. In retrospect, the Government realized that the resettlement could have been better planned and executed, and the lessons of this early experience was instrumental in influencing procedures in the subsequent hydro project (Kpong) financed by the Bank, and, more generally, the Bank's policy on involuntary resettlement adopted in 1980. As was the case of Kpong and Soubre (Soubre: Attachment IV), all large-scale projects are now, and will continue to be critically reviewed for their environmental dimensions. Both borrowers and the Bank have gained much experience since the Akosombo project in Ghana.

60. The recommendation that environmental analyses be conducted before all projects are approved and after they are completed, and that these analyses be made public, raises difficult issues. Not all projects should, in principle, be subjected to a blanket requirement; the U.S. Executive Director (or any other Executive Director) can, of course, exercise the right to "vote against any project that does not have an adequate environmental assessment available "(the focus being on "adequacy" of analysis and not on mandatory coverage of all projects). Pre-approval evaluations are already required for large projects. Post-completion evaluations can be made mandatory but, in view of the long-term nature of environmental damage, it is not clear to what extent such reviews would be useful if they were conducted immediately after the completion of construction on a project.

61. However, the appropriate timing and nature of the post-completion review can be defined in a meaningful way. The sensitive issue is whether these reports can be made more public than the Bank's appraisal, CESW, and Audit Reports. With regard to making the analyses public, the preferred course would seem to be to continue the privileged and productive relationships with the borrower.

Testimony of National Congress of American Indians

62. Latin America. Costa Rica's Arenal-Corobici Hydroelectric Power Plants were financed by IDB. The World Bank participated in the Arenal Hydroelectric Scheme by financing the 220 kV transmission line (Loan 1126-CR allocated about US\$3.9 million to this line) to the Arenal power plant. Ecological and resettlement studies, which at the time were endorsed by the InterAmerican Development Bank (IDB), were carried out by Instituto Costarricense de Electricidad (ICE). During construction of the Arenal-Corobici complex, the borrower, ICE, compensated and resettled the limited number of local farmers whose lands were affected by the above works. No problems arose with regard to compensation and resettlement matters, and no indigenous peoples were affected by these resettled groups.

63. The Bank is helping to finance (Loan 1712-CR, US\$1.7 million) the feasibility studies and detailed design for the dam and diversion works of the Boruca Hydroelectric Scheme in Costa Rica. Work on the design has now been stopped indefinitely owing to ICE's limited financial resources as well as to the drastic reduction in the consumption of electricity. ICE now estimates that Boruca, if constructed, will have to be commissioned during the 1990s. A preliminary review (which was requested by IDB and the Bank) of the environmental aspects of the project was carried out by ICE, which concluded that the impact of the Boruca scheme on the indigenous tribal groups (Borucas) will be negligible as their habitations are located outside the area of influence of the project. In due course, ICE will submit a copy of the preliminary study in order that the Bank can confirm these conclusions.

Testimony of Dr. Shelton Davis, Ms. Dana Martin, and the Environmental Policy Institute: Guatemala's Chixoy Hydroelectric Project.

64. This testimony does not deal with environmental issues and is not therefore addressed in this response.

Testimony of National Congress of American Indians

65. The San Carlos Hydroelectric Project (Colombia). The concern voiced about this project centers on the possibility of premature sedimentation in the reservoir. The reservoir created by the San Carlos Dam is rather small; its volume is only 75 million m³. Since it is located at the tail end of several power developments in the Guatapi-Nare River system, the problems of sedimentation are considerably reduced because most of the waters used have been desilted by the large upstream reservoirs at Santa Rita. Nevertheless, the borrower is taking special precautions to avoid sedimentation problems by carefully monitoring all construction work upstream of the reservoir by controlling deforestation according to existing legislation, and by instituting a program of reforestation and maintenance of the river basins.

66. Colombian Law No. 56. In 1981 Colombia's Government enacted a national law requiring all utilities to invest, through the local authorities, 4 percent of total power sales from new hydroelectric projects in (a) environmental protection programs in the project area (50 percent), and (b) rural electrification projects for people living in the area (50 percent). Starting in 1984, proceeds from these funds will be used to finance additional conservation and other related environmental protection programs in the project area.

Testimony of Environmental Policy Institute

67. The Guatape II (El Penol) Hydroelectric Project (Colombia)

Problems Mentioned in the Testimony

- i. The project created reservoirs which will fill with sediment in less than 100 years;
- ii. Water quality: "Most of the natural forests surrounding the lake have been destroyed by local cattle ranches, and a large amount of vegetation never cleared up during the first phase of inundation is choking sections of the lake and destroying fish life ... along with dead fish, rotting vegetation and ... increasing sedimentation, these polluted waters are swept into the Penol Dam and ... could result in the accumulation of noxious sulphuric gases ..."
- i. In response, the Bank notes that before starting the project, Empresas Publicas de Medellin (EPM) prepared numerous studies relating to ecological aspects of the

proposed project and on the human resettlement, one of these studies examined an entire town (El Penol) affected by the project. In addition, at the request of the Bank, an ecological specialist was hired in 1972 to review existing reports and prepare specific recommendations. As a result, everyone concerned with the project became aware of the great importance of the subject, and special working groups were formed to handle the environmental aspects and the involuntary human resettlement, in which about 13 percent of the total cost of the project was invested.

- ii. It is true that, at the beginning of operation of the project, formation of sulphurous gases formed in the reservoir owing to the decomposition of the low vegetation, including grass, left in the basin of the reservoir. EPM contacted experts from Sweden for advice, and the problem was solved by pumping air (oxygen) into several parts of the lake. The monitoring of parameters such as water acidity, gas formation, oxygen content, and so on, indicates that the water quality of the lake is now generally acceptable.
- iii. At the moment, the discharge of untreated sewage and sullage waters into tributary streams has a negligible effect on the reservoir because it comes from small and remote villages. The EPM continuously monitors the quality of all effluents entering the reservoir, and is prepared to construct, in the future, sewage treatment plants, when it deems such action is necessary.
- iv. The EPM bought large areas surrounding the reservoir and has already planted three million trees there. In other areas of the basin, extensive reforestation programs are being carried out by the Secretaria de Obras Publicas del Departamento de Antioquia, and by private entrepreneurs (for example, Bosques de Antioquia). Unauthorized deforestation is strictly forbidden and the regulation to this effect is enforced by the Government's Instituto de Recursos Naturales (INDERENA).
- v. The EPM continuously monitors all inflowing rivers to predict sedimentation of the reservoir. Up to now, readings have been normal, and the dead volume of the reservoir (55 M m) is expected to be silted in 200 years; the useful volume is 1200 M m.
- vi. The human resettlement was a success in the sense that living conditions and working opportunities for people affected were greatly improved. Today, people live in a new town with paved roads, electricity, health, educational and cultural facilities. In a recent survey by EPM, affected

villagers indicated that they are happy and, even if it were possible, would not wish to return to the old village.

Testimony of Environmental Policy Institute and National Wildlife Federation

68. The Bayano Hydroelectric Project, Panama

Problems Mentioned in Testimony

- i. The project created a reservoir that will fill with sediment in less than 100 years.
- ii. It displaced indigenous peoples from their homes and is destroying their cultures.
- iii. The lifespan of the project may be reduced by as much as 75 percent as government and private entrepreneurs quickly exploit the timber reserves around the reservoir.
- iv. The project flooded 350 km (35,000 ha) of the homeland of the Cuna Indians, almost 80 percent of their reservation.

Comments

- i. Approximately 3,000 Cuna Indians affected by the project were compensated for the loss of their properties, and permanent housing was provided by IRHE in areas surrounding the reservoir.
- ii. Despite the assurances given to the Bank during the execution of the project, the Government of Panama has not yet taken steps to control deforestation of the Bayano basin, which at present is being carried out so that agricultural crops can be cultivated, or timber exploited.
- iii. The uncleared biomass flooded by the reservoir has impaired water quality. This problem, however, is expected gradually to disappear through natural processes over the years.

Testimony of Environmental Policy Institute

69. Changuinola and Teribe Hydroelectric Projects, Panama

Problems Mentioned in Testimony

- i. Projects will displace indigenous peoples from their homes and destroy their cultures.
- ii. Tremendous relocations are scheduled, threatening Indian people.

Comments

70. The two projects are now at a planning stage. On the basis of its experience in the Bayano project, IRHE is conducting a large number of studies dealing with the environment and relocation of native tribal people. If the projects were to be executed, IRHE has indicated it will take the necessary steps to minimize any negative effects on the environment; it also plans to provide similar or improved living conditions to people who must be resettled, and intends to preserve their cultures to the greatest extent possible. It will be necessary for IHRE to meet the Bank's requirements concerning the environmental and tribal peoples aspects of the projects should the Bank be involved in their financing.

Testimony of the Environmental Policy Institute (EPI)

71. Nam Choan Hydroelectric Project. The term used in the testimony "tentatively approved" should be clarified. A proposed Bank loan of \$170 million has been negotiated with the borrower, but Board presentation has been held in abeyance, pending a decision of the Thai Government to proceed with the project, which does not appear likely at present. Upon completion, the reservoir will flood some 142 km², or 3 percent of the 4200 km² of the Thun Yai Wildlife Sanctuary. At the request of both the Bank and Thai authorities, the borrower, Electricity Generating Authority of Thailand (EGAT), prepared a thorough environmental assessment of the project, and before loan negotiations began in May 1982 the borrower submitted an environmental mitigation plan and budget. This plan addressed two existing problems which, in particular, could be exacerbated by project implementation--namely, illegal logging and poaching. The mitigation plan included, therefore, a large budget for effective policing of the area. As to the creation of the reservoir, the Government's view is that although such a reservoir would introduce changes in the environment, wildlife could be expected to adjust to the new lake and that the impact on their populations and habitat would be manageable. The Bank's position is that, if the project is adjudged to be economically and technically justifiable, consideration must be given to the environmental and wildlife aspects, and that appropriate mitigatory measures based upon studies should be taken. The decision of whether to proceed with the project is, of course, up to the Government, but if Bank financing is involved then environmental protection measures will be included.

Testimony of Environmental Policy Institute (EPI)

Water Supply

72. Mantaro Transfer Scheme. The testimony makes the following reference to this project:

"The \$455 million Mantaro project designed to provide drinking water to Lima, Peru, via a giant transAndean diversion has been questioned because the project would deliver water heavily contaminated with mining wastes, including arsenic. Some doubt that the Peruvian Government will proceed to implement the necessary pollution controls on these mines. Current unaccounted for water loss in Lima is 50%. Juan Alfara with the

Inter-American Development Bank wondered how the World Bank could finance a project which had to produce two litres of water for every one litre consumed."

73. For a number of years, the World Bank has been involved in the preparation of the Mantaro Transfer Project, the objective of which would be to divert water from the Mantaro River on the eastern side of the Andes to the western side, near Lima, where it would be used both to generate power as well as to provide drinking water. The Bank financed the engineering studies under Loan S-11 of 1978 and 2179-PE of 1981, and included the project in the five-year lending program for Peru. The current estimated cost is in the \$700 million range.

74. The Mantaro Transfer System is still just a proposal, since the Government recently postponed action on it until later in the decade. No start, therefore, has been made on the project investments, and, according to the Bank's last assessment, construction of the physical works would not commence until the late 1980s.

75. The Bank made clear during preparatory discussions that it would not become involved in the project unless the mining wastes that are now polluting the Mantaro River were controlled. The Bank has reviewed the plans for the resolution of the pollution problems, and has pressed the Government to take action on them. Centromin, the mining entity, has constructed a Bank-financed treatment plant for one of its major operations in the Mantaro Basin, and a program is now underway to monitor water quality in the basin. Recent tests show that the pollution in the area has been reduced, that the acidity of the river has returned to more normal levels, and that various species of fish (particularly trout) have reappeared.

76. As in many projects, Bank funding of the Mantaro transfer was devoted in part to several specific studies, including the environment. The point is that often the Bank must lend money to ensure that appropriate pre-project studies are carried out. The Bank is providing financing in various types of projects to ensure that proper environment-related studies are completed so that potentially unsound projects are not undertaken.

77. The Bank made a loan of \$8.8 million in 1978 to finance an assessment of water resources and demand in Lima; this loan also covered a leak-detection and metering program, the development of a water supply and sewerage master plan, reorganization of the water company, and a study of the feasibility of transferring water from the Mantaro to the Rimac River basins for the purpose of generating electricity and a supply of water for Lima. The studies carried out under the loan recommended an interim program to expand Lima's supply of groundwater and to make better use of all available water resources. This program, together with increased efforts to reduce leaks and improve metering, is being supported by a water supply loan made in 1982.

78. The results of the feasibility study of the Mantaro Transfer Scheme were favorable, leading to the financing of detailed engineering under a power loan made in 1982. Subsequently, however, the results of the 1980 census indicated that population growth in Lima had dropped to a level at which Lima's needs could be met by the ground and surface water in the Rimac Basin for the next two decades without the proposed transfer. On this basis, the Bank suggested that the Government reconsider the need for beginning the project at this time. Although the matter is still under study, it now seems unlikely that the Mantaro project will proceed for some time, and the Bank is no longer considering financing the scheme.

79. At present, Lima's short- to medium-term water needs are being met through the Bank-financed water supply and sewerage project (Loan 2139-PE), which has included: (a) the development of groundwater resources; (b) improvement in the management of groundwater resources; and (c) the reduction of SEDAPAL's "unaccounted-for water" to acceptable levels (the current level is estimated to be about 50-55 percent of water production). Plans have been made to meet long-term water needs (by the year 2000 or later) by the delivery of water from new and distant sources; such delivery would require capital and operational expenditures much higher than those presently required to deliver water from existing surface and groundwater resources.

80. The Bank, however, does not think that it should consider financing studies on the development of new and relatively expensive sources of water, including a reduced version of the Mantaro Transfer Scheme, when no appreciable progress has been made in addressing the short- and medium-term water needs. The financing at this time of such studies and designs could give Peruvian authorities a wrong impression as to the priority that the Bank attaches to more efficient use of existing resources. The Bank plans to raise the issue with Peruvian authorities in the future.

81. The testimony presented makes no comment about Bank projects in Korea. However, the recently negotiated Second Water Supply Project (Nakdong Barrage) is an example of a project that was influenced by, and can itself claim to be an influence on, environmental concerns in Korea. Specifically, the project was redesigned to take into account important environmental concerns pertaining to a bird habitat in the river estuary; and, through the development of institutional components, the borrower (ISWACO) is introducing measures that will provide long-lasting protection for these environmental values. Further, the project provided the first opportunity for the Government's newly formed Office of Environment to influence the design and implementation of a major development project.

82. The Nakdong estuary is a stopping-off and wintering place for migratory birds from the Arctic region during the winter. The estuarine ecosystem of the area is characterized by tidal flats and wetlands protected by a string of barrier islands at the estuary mouth, and it is fed by nutrients brought down by the Nakdong River. The salinity gradient in the estuary provides a favorable medium for biological activity. Because of its geographical and biological characteristics, the estuary provides

the migratory birds with the habitat and food supply they require during the winter months. The main areas of the estuarine habitat have been declared a national monument by the Government, and hunting is strictly prohibited.

83. During the design stage of this project, it was well recognized that adverse effects on the environment had to be kept to a minimum and the bird habitat preserved. Extensive environmental impact studies were carried out and, as a result, the land reclamation component was reduced from 600 ha to 190 ha bordering the Busan City developed area, and the three originally proposed design alternatives were abandoned. The revised design includes underflow and overflow gates in the barrage and a discharge sluice in the closure dam. These devices allow water to circulate even at low flows and permit adequate volumes of nutrient-rich water to be discharged into the estuary. Fish passage devices were also added to the wing walls. Construction operations, particularly dredging operations, are to be carefully controlled, with borrow and disposal areas selected to minimize adverse effects to the estuary.

84. The real threat to bird life in the estuary, however, is not the barrage but the pressure from people wanting to reclaim additional land from the sea. The status of the area as a national monument has not prevented this reclamation in the past. Under the project, further protection under existing laws would be given to defined areas of wetland. This action would limit further fishing and agricultural development, and thus curtail land reclamation in critical areas of the estuary.

85. During negotiations on the Nakdong estuary projects, the Bank received assurances that:

- a. Environmental actions recommended by the Office of Environment (OOE) would be implemented by the borrower, ISWACO.
- b. The Government would monitor the estuarine environment and enforce the conditions for its protection during construction.
- c. A study would be prepared by December 31, 1984 (under terms of reference acceptable to OOE and the Bank), of the intertidal areas that should be fully protected. On the basis of this study, as reviewed by OOE and the Bank, there would be established, not later than June 30, 1985, a zone in the estuary that would be designated a "Natural Environment Preservation Area" under the National Land Use and Management Law of December 31, 1982. This is an intermediary legal step required before a "Natural Ecological System Preservation Area" can be established. OOE would designate, not later than December 31, 1985, within this zone of the estuary, a "Natural Ecological System Preservation Area" under Article 9, para. 3, of the Environmental Preservation Law of December 31, 1981. The

proposed zone would be inside the boundaries of National Monument #179.

- d. An Environmental Management Section would be established by ISWACO at its headquarters not later than December 31, 1984.

86. The testimony of the Environmental Policy Institute analyzes the environmental implications of various large-scale water development projects, and refers to "27 dams in the Amazon basin" that would increase the spread of diseases, flood areas of special significance, displace indigenous people, or involve water quality problems. The Bank cannot judge if these assertions are true since the Bank has had no involvement with any hydroproject in Amazonia.

Testimony of Environmental Policy Institute and the National Wildlife Federation (NWF)

Agriculture

87. The Bank fully endorses the four criteria that NWF proposes (page 13 of the NWF testimony) for the careful assessment of the environmental impacts of all development projects. Careful and comprehensive project design will prevent adverse effects such as deterioration of watersheds, degradation of fisheries potential, and drop in water quality in rivers downstream of reservoirs. A case in point from the Bank's experience is the Mangla Dam in Pakistan, which has substantially enhanced the fisheries resources of the river. In the Philippines, Watershed Management Project for the Pantabangan Dam is under implementation with assistance from the Bank (Loan 1890-PH), and a similar project for Magat watershed is being processed, as mentioned earlier. The National Irrigation Systems Improvement Projects (Loans 1414-PH and 1526-PH) and the Medium-Scale Irrigation Project (Loan 1809-PH) include components for the control of schistosomiasis and malaria in the project area and in contiguous areas.

88. Agriculture/Irrigation. The Bank's experience with irrigation projects does not support the statement made in the testimony of the NWF that "often thousands of people are forcibly moved to less productive land to continue subsistence farming, while the better land is converted to mechanized monocultures." First, contrary to the testimony, the Gezira scheme in the Sudan is no longer a monoculture. In the Indo-Gangetic Plain in South Asia, irrigation projects have virtually transformed millions of acres of desert land into lush green fields. Most of the people who chose to settle on these desert lands were poor landless tenant farmers from better-endowed but overpopulated parts of the subcontinent. Those courageous settlers have created large and prosperous communities. The waterlogging and salinization that have occurred over the years in the developed areas have no doubt reduced the benefits of the irrigation projects, but even so, the Bank believes the quality of life of the people, as well as the land and the environment, is far superior to what it would have been without these projects. The problem of waterlogging and salinity can largely be resolved through further investments. That is to say, the

solution to these problems are essentially financial, and not purely technical or environmental.

89. The irrigation projects financed by the Bank have seldom displaced any substantial numbers of people. Indeed, Sudan's Rahad project (designed in 1964) provided opportunities for settlement of an area where, previously, the shortage of water restricted occupation to a few villages along perennial streams, the rest of the areas being used only to a limited extent by nomadic graziers during the wet season. Thus displacement was minimal and greatly offset by the opportunities for the settlers to obtain a satisfactory livelihood from the production of cotton, groundnuts, and other crops. The Rahad project provides a good example of the trade-offs that normally exist between the costs and benefits of any development. Now and then, a resource, such as a groundwater resource, that offers possibilities of economic production in an area over an extended period of time, will eventually run out. If the benefits generated are sufficient to cover the cost (including the eventual costs of the redeployment of the people engaged in exploiting the resource) and provide an acceptable economic rate of return, there does not seem any good argument for not undertaking exploitation in the same way that mineral resources are mined. Fortunately, for most projects this situation does not arise, but there are costs in terms of future benefits foregone as a result of undertaking development. Wherever possible, such costs are taken into account in economic analysis. Such costs may include amenity losses or losses incurred through the destruction of sites of wild genetic diversity, which are extremely difficult to assess in economic terms. The Bank highlights these instances when they occur, and attempts to reduce wherever possible such adverse long-term impacts. The Bank, moreover, is monitoring the development of new analytical techniques, and undertaking research into improvement of methodologies. The National Wildlife Federation, in its testimony, suggests that an irrigation scheme may support fewer families than a previously farmed region, citing the Rahad project as an example. In fact, however, as mentioned, the Rahad project area, before development, was unable to support permanent settlements anywhere except along perennial streams, owing to the lack of year-round water supplies. It was very sparsely populated but did provide some grazing for nomadic cattle herders during the rains. It never carried a population remotely close to the population it has been capable of supporting since the development of irrigation.

90. Agricultural Development. In its approach to agricultural development in the Philippines, the Bank has identified three main thrusts: (a) alleviating rural poverty; (b) increasing agricultural exports and replacing imports; and (c) halting environmental deterioration. The last thrust takes the form of protecting watersheds, preventing unregulated deforestation, and promoting a well-planned and well-executed reforestation program. Illegal logging by commercially oriented operators and wanton destruction by Kaingeneros (shifting cultivators) in search of cultivable land have seriously eroded the forest resources of the country. Because of the adverse long-term consequences of eroding watersheds and the loss of vegetative cover, the Bank has pursued various avenues to assist the

Government in containing the damage. Among these are ongoing projects for smallholder tree farming in areas unsuitable for cultivation, a watershed project in the Pantabangan Dam area, a pilot forest project under the Bureau of Forest Development (BFD); and, a pilot forest protection component in the Watershed Development Project, which comprises pilot programs to improve protection against illegal logging and fire, as well as a measure that will effectively and constructively include the Kaingeneros into the forestry programs. Studies are being funded to prepare a watershed project for the Magat Dam areas. The proposed National Forestry Project aims also at improving the institutional capabilities of BFD to enable it to protect, preserve, and develop the national forestry resources in conformity with long-term environmental needs and imperatives.

91. Most agriculturalists have a deep concern for the sustainability of cropping systems in projects with which they are connected. For example, using the Rahad Project again, the project preparation consultants were concerned about environmental effects such as the health hazards related to irrigation development in the Sudan, particularly schistosomiasis, and the need to site villages as far as possible from canals and drains to minimize the risk of transmission and to discourage the domestic use of these water sources through the provision of an adequate supply of domestic water. The project preparation consultants for the Rahad project were further concerned that the movement of wild animals during their seasonal migrations through the area might be disrupted by this construction of a large supply canal from the Roseires reservoir. (It should be noted that this construction project was subsequently dropped from the project design.) Therefore, it was proposed that bridges or other crossing points be provided to ensure that such migrations could continue. The team was also reinforced by social economists assigned to study the settlers who would be farming the project area and to review the agricultural recommendations and social facilities in order to identify any parts of the plan that could turn out to be socially unacceptable.

92. Salinization and Waterlogging. Salinization and waterlogging have been a problem throughout history and were responsible for the early decline of ancient irrigation systems in the Tigris-Euphrates Valley and other large irrigation areas. The existence of this problem in India and Pakistan, particularly in the Lower Indus Basin, has been known for many years and was intensively studied in the 1950s and early 1960s. Since then, the Bank has been involved in the preparation and the implementation of projects aimed at alleviating drainage limitations in certain areas. However, the progressive increase in the scale of the problem and the initial limited capacity to implement remedial measures has meant that the Bank has succeeded in doing little more than maintain the status quo. It is currently involved in the preparation of an extremely large program that will deal with drainage and soil salinity in a substantial part of the Lower Indus Basin through a series of phased drainage projects. Although the need for drainage will occur in some 60-70 percent of projects, it is the timing of the expenditures for drainage that governs the level of economic benefits of projects. If the drainage is installed early, it will not be beneficial for some years until the water tables build up. Meanwhile, it may suffer from inadequate maintenance during that time.

Once the problem develops, drainage needs to be installed promptly, or declining production will affect both the economic benefits from the project and the ability of the individual farmers to continue making a livelihood for their families. Therefore, the design for drainage should be initially included in the overall project design, but implementation delayed until the need is indicated by a carefully planned and properly supervised monitoring program.

Testimony of the National Wildlife Federation

Livestock Sector

93. The Bank has been aware for some time of the failings of many of the livestock projects that were financed in the late 1960s and early 1970s. This knowledge has led to a substantial change in the kinds of livestock lending the Bank has promoted since then. As an example, one might cite the major success of its dairy development financing in India, which in turn has provided a model for similar projects in other countries.

94. Some statements made by the National Wildlife Federation in its Congressional testimony that pertains to cattle ranching are questionable insofar as the Bank's involvement is concerned. The National Wildlife Federation asserts that: (a) considerable money has gone into cattle production in Central America and Brazil, primarily for the development of large ranches; (b) as a result, tropical forests are being cut down; and (c) even outside forest areas, preferential credit for cattle encourages the conversion of fertile cropland into ranching. First, the Bank has not financed any cattle project in Brazil since the late 1960s. Second, the two projects financed at that time were located in the south and center of Brazil, outside forest areas. Third, the loans were for already established operations, and therefore entailed no large extension or conversion from cropland. Although some minor cattle financing may have occurred in some of its various rural development projects, it represents an infinitesimal part of the Bank's agricultural portfolio in Brazil. Moreover, a principal thrust of the Bank's dialogue with Brazilian authorities during the 1970s was to urge them to give greater support to cropping by small farmers as opposed to large-scale cattle operations.

Testimony of Bruce M. Rich

Pesticides

95. Mr. Rich asserts that the World Bank does not employ an individual who is specifically concerned with pesticide issues. The Bank relies on crop-, region-, and problem-specific expert consultants, who are called upon for advice on pest management issues, most recently on the Gezira project in Sudan.

96. Close attention to pesticide-related issues is being accorded by the Bank which is using the services of a professional pesticide expert on detail from the U.S. Government. In addition to revising and updating the

Bank's guidelines for pesticide use (in cooperation with USAID), the Bank is working to increase the capabilities of member countries, initially in the Caribbean region, to use integrated pest management and conduct analyses of pesticide residues. Furthermore, the Bank is developing education and training programs on the safe use of pesticides and the diagnosis and treatment of poisoning. The Bank plans to devote continuing attention to these issues, to move away from the obsolescent pesticides, and toward the less damaging new generation of pesticides. The pesticide compound is not always specified in appraisal reports, the reason being that the pesticide may not be required until a few years after the project has started. Only then is the market examined for the most cost-effective product.

97. As for the criticism that pesticides are overused, too often the difficulties of introducing an effective system of integrated pest management (IPM) as an alternative to reliance on chemical means are underestimated. It was only when crops such as cotton in the United States began to suffer severe losses because pest populations could no longer be controlled by increasingly frequent pesticide applications that farmers were motivated to adopt IPM techniques. Fortunately, in many developing countries, this is not yet the situation, although it can certainly be expected in the not too distant future if dependence on pesticides continues. Where the Bank is specifically supporting the use of chemical-dependent pest control systems, it is seen as buying time in order to develop, in parallel, the appropriate alternatives that will ensure that future production can be sustained. In the developing countries, where these research data are lacking and little is known about pest and predator population dynamics or the way to monitor them, this is necessary, because effective IPM requires considerable time for research and development. The Bank and USAID are continuing a dialogue with the Sudanese authorities, for example, aimed at arranging the research and testing needed to introduce an IPM package for cotton in the Gezira project and to reduce that country's dependence on pesticides. It is hoped that the experience gained will be of value in similar activities in other countries. Meanwhile, in order to increase the Bank staff's awareness of the growing pest control problems in developing countries, the Bank has held a number of seminars at which experts in the pest control field have discussed alternative control techniques and described recent advances. Early in 1983, the Bank published a technical paper describing the opportunities for biological control of agricultural pests in developing countries; this paper was written by two internationally recognized experts in that field. Although the Bank recognizes that increased research should be devoted to improving methods of pest control in developing countries, the world is currently facing a growing shortage of aid funding for such research and development activities.

Testimony of the Environmental Policy Institute

Agriculture/Economics

98. The EPI's testimony criticizes the Kenya Bura Settlement Project because it was planned around export promotion (cotton) rather than food

production for local consumption, and because it has had high cost overruns. The environmental aspects of the project, which are not mentioned in the testimony, were, however, carefully taken into account. Because it had been recognized that the project would profoundly modify the ecology of the area, transforming semi-arid bush country into an agricultural locale, the project included protection of the riverine forest along the Tana River as a wildlife habitat, the protection of drinking ponds and canal crossings for wildlife, intensified game and antipoaching patrols, and, with Finnish support, forest conservation and afforestation programs, along with the development of alternative sources of fuel supply.

99. In 1977, it was to Kenya's comparative advantage to increase its exports of cash crops (such as tea, coffee, and cotton), and this is still the case today. In fact, in 1982 the Bank's Board of Executive Directors approved a second cotton project aimed at streamlining the processing and marketing of cotton. The Bank believes that while food production is critical, it is not necessarily the principal objective to be served by every agricultural project.

100. The EPI statement further includes a quotation from a June 1982 article in World Watch concerning this project. This is not environmental and is not therefore addressed in this response.

101. In conclusion, with such a large portfolio of agricultural projects, that cover such a wide field and involve so many staff and country officials, it would be unrealistic not to expect problems to arise in some projects. Over recent years, the Bank's capacity to implement projects in a manner that is consistent with environmental concerns is improving enormously, but further improvements still can be made. The concerns expressed by those giving testimony, and the increasing attention being paid by others to the Bank's performance, will be an added incentive to the Bank's efforts, and can only be beneficial in the long run.

Testimony of the Environmental Policy Institute

Fisheries

102. The testimony given on fisheries or fishery-related projects states that not enough attention has been given to the resource base in the exploitation process. The Bank believes that from the very beginning of project preparation, consideration should be given to the project's eventual impact on the resources being exploited, particularly when it may affect economically deprived people.

103. An example of environmental improvements can be cited in a fishmeal industry project in Peru that corrected serious pollution of the immediate coastal zone with effluents from its factories. The air was also heavily polluted and the inhabitants of the affected cities were greatly disturbed before abatement was installed.

104. Other cases of environmental risks the Bank seeks to reduce include the destruction of mangrove areas for shrimp pond construction, and

overfishing that depletes the resource or substantially reduces the maximum sustainable yield.

105. Much of the negative impacts on fishery resources and their environment comes from land-based development. For example, it can often be traced to:

- a. Effluents from mining projects being placed into rivers, which destroy the river's existing fauna.
- b. Roads that have interfered with the natural exchange of freshwater and seawater, thereby destroying the existing ecological conditions.
- c. Hydroelectric projects that have introduced marked fluctuations in the water level, thereby interfering with natural fish reproduction and migration; massive use of pesticides for monoculture that drains into rivers or lakes; and eutrophication of freshwater lakes from fertilizer runoff and domestic wastes.

106. Where projects are focussed on commercial fishing, effective management of the resource becomes a top priority. Research activities are strengthened, including reliable studies of the resource being harvested. Otherwise, it is virtually impossible for policymakers to determine the likely consequences of their decisions on catches, gear, etc. Effective conduct of such work should involve the dedication of a substantial portion of the Government's freshwater/marine research capability to "mission-oriented" work closely tied in with the fishing industry program.

107. The Bank seeks to ensure the reliability of the fishery resource data before it finances projects depending on it.

BRAZIL: Testimony by Dr. David Price

108. The testimony of Dr. Price reflects what Cheryl Payer's recent book The World Bank: A Critical Analysis, has already made public. Most of Dr. Price's testimony is a matter of interpretation of facts and events surrounding tribal peoples to be affected by a Bank-financed rural development project in Brazil.

109. Dr. Price states that FUNAI has not made progress in implementing the Special Project for Protection of Amerindians. As a result of the POLONOROESTE projects, a number of important actions have been taken:

- a. Illegal settlers were evicted from the Sete de Setembro Reserve in Rondonia, before the loans were presented to the Board in December 1981.
- b. Additional staff have been contracted to provide services for health care, agricultural development, and emergency medical assistance to Amerindians. Overall, these services

have been improved, and the Bank recently recommended measures to be taken for further improvement. Equipment and materials have also been provided.

- c. Highway road crews in the region have been carefully regulated to prevent transmission of disease to Amerindian groups.
- d. Reserves in the program area have almost all been demarcated. Demarcation of the reserves in the Guapore Valley of Mato Grosso for the Nambikwara groups, where demarcation was delayed, is now in progress, and is expected to be completed by the end of 1983.

110. These actions represent important progress in the implementation of the Special Project. The environmental and tribal people issues associated with this project have been deemed so important that the Bank's management has called for its Region's careful supervision and the Board of Executive Directors has requested periodic reports on its implementation. As for most consultants' reports, it is not appropriate to have them published without the consent of the borrower and the member country government, as outlined in paragraphs 60 and 61.

1. TANZANIA: KIDATU HYDROELECTRIC PROJECT - SECOND STAGE
(Loan 1306-T-TA)

A general ecological review and two in-depth studies were completed before implementation of the Great Ruaha Basin Project. A further in-depth study was also completed on about 35 ecological sub-projects for the Mtera reservoir such as vegetation, wildlife, soil erosion, sedimentation, limnology, ecology of disease vectors, etc. The recommendations resulting from these studies were discussed with the Bank and the following measures were taken to safeguard certain environmental aspects of the project: (i) the inhabitants of the areas to be later submerged by the reservoir were relocated to another village after many investigations were conducted to determine the best area for, and the conditions of, resettlement; (ii) a stretch of the road crossing the river about 6 km upstream of the dam was located below the reservoir level; (iii) the original boundaries of the National Park were expanded, on the basis of Bank recommendation, in order to protect wild animals that would be attracted to the reservoir, and the entire reservoir area was declared a game control area; (iv) the water stored in the soil when the lake level sinks will be sufficient for the development of foreshore cultivation in part of the area; and, (v) action was taken by the federal and local authorities to manage the fish potential of the lake; but, (vi) no program of action has been taken by the regional authorities to prevent soil erosion and consequent silting of the reservoir; (vii) no program has been worked out, so far, by regional authorities to arrange for adequate hygiene and health education so as to protect the people against the danger of Schistosomiasis around the lake; (viii) no action has been taken against the possible menace of aquatic weeds such as water hyacinth. The environmental changes between Mtera and Kidatu have had little influence on human activities or wildlife since there are only a few small settlements in the vicinity of this stretch of the river.

SOURCE: Project Completion Report, November 30, 1982.

2. TANZANIA: SAO HILL FORESTRY PROJECT
(Loan 1307-TA)

The project, which involved planting of trees in lands which were mostly originally grasslands, has had a beneficial effect on the environment as tree cover reduces soil erosion and improves soil fertility and water retention. Furthermore, special consideration was given during appraisal and implementation to avoid competing land use claims. As the area was extremely sparsely populated, land use conflicts did not arise.

SOURCE: Project Completion Report, November 23, 1982.

3. NEPAL: SETTLEMENT PROJECT
(Credit 505-NEP)

The river system in large portions of the Terai is extremely unstable, changing course with every flood and threatening human settlements within a considerable distance from existing river beds. Where the surrounding areas are still covered with forest, the floods are much less destructive. Deforestation thus tends to greatly increase the erosive impact of floods and, indeed, the probability of floods occurring. It was expected under the project that these concerns would be taken into account in the siting of villages and of fields and tracks and that protective forest would be preserved where required.

An aspect examined at some length at the time of appraisal was the potential impact that logging operations would have on the project area environment. The project was to ensure that the land liable for erosion would remain under forest, as would areas suitable for agriculture. The project areas were not to conflict with three areas designated as national game parks. Under the project, areas were completely clearfelled regardless of the slope of the land, posing erosion hazards after removal of the stumps and creating a future shortage of firewood after the stumps are used up. The conflict between agricultural interest and wildlife preservation remains unresolved. While wild animals are easier to control in the cleared, open areas, the plantation-like cultivation interferes with their migration patterns and occasional forays from the remaining forest cause considerable crop damage. Environmental damage continues to be done by squatters, but clearfelling of large areas has been less prevalent recently than it was under the project.

It is imperative that environmental concerns are more fully and systematically taken into account in the utilization of the Terai forest lands. The first step that needs to be taken is to resolve the problem of conflicting land use for forestry, agriculture and wildlife preservation purposes and clearly demarcate the areas with respect to the designated future use. The land assigned to be cultivated around new settlements must be chosen so as to inflict minimum damage on the environment. Within these areas enough space covered with trees must be preserved to meet fuelwood and other requirements and suitable conservation methods introduced.

SOURCE: Project Performance Audit Report, June 20, 1983.
Project Completion Report, September 21, 1982.

PHILIPPINES: CHICO RIVER BASIN DEVELOPMENT

Background

1. The Chico River sub-basin, located in the Kalinga-Apayao and Mountain Provinces in Northern Luzon, forms part of the Cagayan River Basin (embracing most of Isabela Province), one of the largest of the nine major basins in the Philippines. A number of tribal communities, including the Kalingas and the Bontocs (numbering about 500,000 persons), live in the mountains traversed by the Chico River. Culturally, these people have a strong and emotional attachment to their way of life.

Origin of the Development Plan

2. In the 1960s, the Government obtained the assistance of the U.S. Bureau of Reclamation to carry out a survey of the potential land and water resources of the Cagayab Basin. In 1966, the Bureau's survey team reported that both the Chico and Magat sub-basins appear to have abundant water resources for exploitation and should be given top priority for development (Magat and Chico rivers are the main tributaries of the Cagayan River). A plan to build a dam on the Magat River is well under way and the Bank has been asked to assist in its financing. The project has recently been appraised. The reservoir of this dam will submerge the homes and fields of a number of communities, affecting about 280 families. Arrangements by the Government are under way to resettle these communities on three locations downstream in the would-be irrigated areas, and provide them with housing, farmlands, and other social facilities. The communities are pleased with these arrangements and are cooperating fully with government officials to implement the resettlement schemes in the Magat projects.

3. As regards the Chico River sub-basin, the National Power Corporation (NPC), using funds provided by the Bank under the Fifth Power Project loan (Loan No. 809-PH), began a prefeasibility study for hydro-electric power potentials in 1972 and completed the study in 1973. The study recommended four development sites for storage dams: Chico I, 100 MW capacity; Chico II, 360 MW; Chico III, 100 MW; and Chico IV, 400 MW. The study further recommended that development should start with site II, followed by IV since these are the most economical sites. Subsequently, under the Sixth Power Project (Loan 1034-PH), the Bank provided funds to NPC for consultants to carry out a feasibility study and design work for Chico II. NPC and its consultants moved on the site at a time when strong opposition to the project was beginning and quickly intensifying. They were harassed by the local communities and prevented from carrying out their work. The Government then instructed NPC to abandon the work and

shift the feasibility study to dam site IV, where a relatively smaller number of people would need to be resettled. The NPC and its consultants moved their survey team there in May 1975. The opposition group then shifted its activities to the same site. In July 1975, the Government directed NPC to suspend all its activities in the Chico River Basin.

What the Government Has Been Doing

4. Since it instructed NPC to suspend its activities in the Chico River Basin, the Government has decided that the most effective way to eventually implement its plan is to deal with the social side of the problem, that is, to convince the tribal communities that the development would not destroy their cultures; that it would be to their benefit and that their interests would not only be safeguarded but also enhanced. Thus, in December 1975, President Marcos issued Decree No. 848 creating the Kalinga Special Development Region, which includes Chico IV dam site. In March 1976, the Government set up the Kalinga Inter-Agency Development Committee consisting of directors and high-level officials of the National Power Corporation (NPC), National Irrigation Administration (NIA), Department of Public Highways (DPH), Department of Agrarian Reform (DA), Bureau of Public Works, National Electrification Administration (NEA), and the Presidential Arm for National Minorities (PANAMIN), which is the coordinator of the Committee's activities. The Committee was charged with the responsibility for conducting a dialogue with the Kalinga committees that would be affected by the development of Chico IV dam. By April 1976, the Committee had made substantial progress in its discussions with the four Kalinga barrios (villages) that would be submerged by the dam reservoir at Chico IV. Then, together with leaders of the barrios, the Committee selected four sites at different locations downstream for resettlement. This arrangement was to ensure that each barrio would retain its way of life. Some 1,100 families would be resettled in these four sites. Presently, 73 percent of the heads of the families have signed their consent to be resettled. The other 27 percent are not resisting, but holding back to make sure that the Government is serious and means what it says in its package of offers (described in paragraph 7 below). On the strength of this agreement, the Government instructed NPC to resume its investigative work at Chico IV dam site; the Corporation has moved in and its work is now underway and a number of its workers are from the Kalinga communities. Meanwhile, the President has issued two instructions. First, the design must be changed so that the height of the dam will be lowered and the largest barrio in the area will not be submerged by the reservoir. This would mean lowering the dam by about 5 m and reducing the capacity from 400 MW to 360 MW (this reduction of the power capacity would not adversely affect the feasibility of the proposed dam). Second, no construction on the dam is to start until all the affected families are resettled.

5. The Government is taking steps to resolve the controversy and proceed with implementation of the plan. It has made generous resettlement offers, which, when implemented fully, would propel the affected tribal communities into a far higher standard of living than that commonly enjoyed by the average Philippine farmer.

Government Offers to Settle Farmers

6. The Government has made the following offers, which it has already begun to implement in one resettlement site: (a) a free two-bedroom house to each family that will be built with permanent materials on a 600 m² plot of land, complete with water and sewerage, plumbing, and electric wiring (title deed to be handed to the family head at the time of occupation); (b) free water supply and electricity until the community becomes economically viable (estimated at about 3 to 4 years); (c) free 3 ha of irrigated farmland, or 5-7 ha of unirrigated farmland, to each family, complete with title deeds; (d) demonstration farm for each settler community; (e) school building, barrio hall (for civic and social use), and medical clinic for each community; (f) free medical services including intensive treatment, hospitalization, and transportation to hospitals in Manila when necessary; (g) payment of cash compensation for properties (excluding houses) in their original, that is, submerged areas; (h) priority in employment for qualified skilled persons from the community (in this respect, they are exempt from the civil service examination for employment in the civil service); (i) provision of free farm implements such as hand tractors for the first few years of their farming; (j) free pasture (grazing land) for each community; and (k) free legal service to members of the communities.

7. One resettlement site has been visited where development has already started. The first 36 houses are under construction and are due for completion in March 1978, and construction of the balance would be completed later in the year. The cost of building each house is estimated at about P40,000 (US\$5,400). This particular site is to accommodate 63 families from one barrio. The areas earmarked for their farms are only a short walking distance from their prospective homes. They have been allocated 470 ha of communal grazing lands in the hills behind the homes. The barrio leader emphasized that its members are looking forward to moving to their new homes, which offer better opportunities for advancement for his people. Construction of buildings in the other three sites is expected to begin next year.

What the Government Hopes to Achieve

8. By resettling the four barrio communities separately in the manner described above, the Government hopes that the rest of the tribal

communities that would be affected by the development of dams upstream would realize that it really intends to improve living conditions and preserve the cultures of the people rather than destroy them. In the case of the Kalingas, the Government is succeeding in obtaining their cooperation and understanding.

Conclusion

9. Having examined the issue very closely and having talked to as many people as possible, it now seems that the only remaining step in the resettlement of the four barrios that would be affected by the construction of the dam at Chico IV is physical implementation of the resettlement. The dam project itself could very well be put before the Bank within the next two or three years for financing.

FINANCIAL ASPECTS OF DAM SAFETY*

by

F.L. Hotes, Irrigation Adviser

Policies and procedures of the World Bank which relate to the maintenance, inspection and general safety of dams are reviewed.

The World Bank, established in 1945, is owned by the governments of 141 countries. Its capital is subscribed by its member countries, but lending operations are financed primarily from its own borrowings in world markets. According to the Bank's charter, it must lend only for productive purposes, its decisions to lend must be based only on economic considerations, and it must consider carefully the prospects of repayment, with each loan being guaranteed by the government concerned. Its sister institution, the International Development Association (IDA), operated by the same staff as the Bank under similar policies, has 128 member countries but lends only to the very poor countries. For the purposes of this article both the Bank and IDA are referred to as the Bank.

As a development institution, the Bank is concerned that the capital it lends should make a maximum impact on the economic development of its member countries. As a cooperative institution it has a duty to its member governments to use the Bank's resources to the best effect. As a borrowing institution it is concerned to maintain its credit standing in the financial markets of the world, which in turn depends partly on its reputation for confining its investments to sound projects. To help fulfill those basic responsibilities, the economic, technical, managerial, organizational, commercial and financial aspects of proposed projects are reviewed by the Bank's professional staff and consultants. It is with the technical aspects of project dams that this paper is concerned.

It should be understood, however, that although the Bank plays an important advisory role in project development and execution, the borrower of Bank funds is solely responsible for designing and implementing the project. It is the borrower's project, and all funds received from the Bank must be repaid.

During the almost 37 years of its existence, the Bank has helped finance many dams and barrages for hydroelectric power, irrigation, and water supply purposes. While the Bank has always insisted that the qualifications of the designers and builders of dams be to an acceptable specified level, even though chosen and employed by the borrower, it was not until 1970 that covenants regularly began to be included in loan agreements requiring the borrower to carry out periodic inspections of

*Article in International Water Power and Dam Construction, January 1983 Issue.

large dams. In 1977, after noting the development of the state-of-the-art of both dam design and construction since World War II, and recognizing that a dam holds more potential for loss of life, property, and investment in the event of failure than any other structure, the Bank extended its requirements for design, construction, and inspection procedures for dams to help ensure that the dams it helps to finance do reflect the state of the art as regards safety, economy, and general performance.

Bank Requirements to Help Assure Dam Safety

Since 1977 the Bank has required that when it makes a loan for a project which includes a dam, consideration be given to the following two precautions, in addition to those normally required:

- a review of the concept and design by an independent panel of experts, acceptable to the Bank, during the early stages of design and during final engineering and construction; and,
- periodic inspections of the dam after construction by suitably qualified independent experts.

Review of Design and Construction

A review of the concept and design would normally be required either when failure could result in significant damage to human life or loss to the economy, or where optimization of the design could offer significant savings. Staff, together with consultant dam experts when appropriate, are expected to assess these factors before or during appraisal and recommend appropriate arrangements to be reflected in the loan covenants.

Bank staff are advised that a review panel should normally be required when the dam or embankment:

- exceeds 10 m in height above the stream bed, or creates a reservoir with a gross storage volume of more than 2.5×10^9 m³;
- presents unusual design features and/or involves difficult geological conditions; or,
- is situated so as to be significantly destructive in the event of failure.

Adequacy of design includes appropriate instrumentation for monitoring the dam after construction. The Bank normally requires the borrower to have the panel conduct periodic reviews during final

engineering and construction to examine whether any new grounds for making changes in the design of the dam have become apparent.

The timing and extent of any such reviews would be determined by the circumstances of each case. It is also considered desirable for the panel to review plans for initial reservoir filling (which is a critical period during which many past failures have occurred) and plans for periodic maintenance and inspection. Costs of the panel are a part of the costs of design or construction supervision, and may therefore be considered for financing under the loan for the project. In appropriate cases, retroactive financing or use of the Bank's project preparation funding arrangements may be used.

Maintenance and Inspection after Construction

It is essential that a proper maintenance programme be prepared, initiated and executed. Usually this takes the form of a specific maintenance programme and manual being prepared and the training of staff to carry it out. This includes an inspection programme with adequate reporting and monitoring of results. If the borrower's staff need assistance in this area it normally can be obtained from the engineers responsible for the design and supervision of construction of the project.

In addition, where the consequences of failure are serious, the Bank may require periodic inspections after completion of construction of the dam, waterways, earthworks, reservoir banks and other structures associated with it, by independent experts. This work could be done by the design panel, the consultants responsible for the design and supervision of construction, other outside consultants (either a company or individuals), or an official authority or agency with the requisite expertise. The need for such inspections, their timing and extent, and the choice of who is to carry them out, depend on the circumstances, including the size and type of structure and its situation, the strength of the Borrower's own maintenance programme, and consideration of the trade-offs between economy and sound engineering practice. Normally, inspections should be made annually during the last few years after construction and at least every five years subsequently.

Existing Dams

In some cases the Bank finances a project, usually an agricultural one, within the command area of the dam already built without Bank financing. In such a case, there may be hydraulic structures not forming part of the project but which are essential to it. If the dam or other structures have characteristics which would have led the Bank to require periodic inspections if the Bank had financed them, it normally requires such inspections to be carried out anyway, as part of its project.

Experience With 1977 Dam Safety Requirements

While the use of a review panel of experts independent of the agency which designs the dam has been an accepted practice in many countries, it has not found universal acceptance, even in developed countries such as the United States, although increasing acceptance of the concept has been observed. Dam design and construction involve both art and science. Great advances have been made in the science of dam design and analysis, and new construction technologies have been developed. Conferences and literature help considerably in educating others regarding these advances. However, there is much in the art portion of the development of dams that can be assimilated only through years of experience in reviewing dam sites, as well as literature problems and solutions. A panel review provides an opportunity for worldwide experience to be brought in and used for economic as well as safety benefits.

The Bank does not require that review panels comprise any particular mix of national and expatriate experts, it looks solely at qualifications. It is recognized that it is desirable for review panels to include national experts who are independent of the design agency, but who know local conditions, design, and construction capabilities. In many instances these are retired engineers. The particular mix of experts employed depends largely on the characteristics of the dam site, and the availability and individual backgrounds of each expert. Frequently specialists may be called upon for short periods of time to aid the panels on special topics, such as seismicity, dynamic analyses, or probably maximum flood hydrology.

It is expected that minutes and reports of review panels will be made available to the Bank. At some stage the panel should certify their major conclusions and recommendations as regards the safety and general adequacy of the dam. Such a report should be signed by all panel members--not just the chairman.

On occasions Bank engineers have questioned the conclusions of an expert panel. While the Bank is not an engineering organization, it does have a number of engineers who have worked on the design or construction of large dams, and many engineers who are generally familiar with these important structures. When they read a conclusion or recommendation that seems to be at variance with their own experience, they are justified in inquiring (and in fact are expected to do so) as to the facts and reasoning leading to the conclusion or recommendation. Usually such an inquiry brings forth reasonable and acceptable explanations. Sometimes the answers are not satisfactory, and further discussions are necessary.

Questions and differences of opinion also arise among the panel members, designers and borrowers, and the Bank may be another party to the points at issue. Fortunately such problems are not numerous and seem always to be soluble. Inherent uncertainties exist in all dam work, and judgements must be made. The experience of experts who have reviewed dozens, sometimes hundreds of dams, is therefore considered to be invaluable to the design and construction of the dams of the future.

(The author's opinions are not necessarily those of the Bank.)

IVORY COAST: SOUBRE HYDROELECTRIC PROJECT
Environmental Management Action Plan

Introduction

This action plan, formulated during the World Bank's visit of April 19-30, 1982, concerns the environmental aspects of the Soubre hydroproject. The plan is consonant with the policies and recommendations of the World Bank, and EECI has agreed to implement it.

1. Environmental Administration

EECI proposes to request the Ministry of Plan and Industry to create by decree a Coordination Committee composed of representatives of the ministries involved. EECI will inform the Bank quarterly, after loan signing, of the decisions of this Committee.

2. Resettlement

Following BETPA's sociological study of July 1981, EECI sent a questionnaire to relevant political and administrative authorities in February 1982 in order to design an acceptable resettlement program. The results of this questionnaire are expected by late 1982. They will be analyzed by EECI one month later. The outline resettlement program and schedule including likely site selections for the new settlements in general will be drafted immediately thereafter. The draft of the final resettlement program will be reviewed in depth by an independent sociologist chosen by EECI, who is experienced in resettlement and with allochthonous/autochthonous relations. This review and the resettlement program itself will be sent to the World Bank shortly after the start of construction. EECI will seek to avoid the use of provisional resettlement camps, and to the extent possible the Food Aid Program, as is being used at Buyo, just upstream.

3. Health

3.1 Onchocerciasis: Although the forest species of blackfly (Simulium soubrense) is abundant in the Soubre region, it is a less effective vector of onchocerciasis than the savanna species of blackfly. However, since S. soubrense has recently developed resistance to the main biocide (Abate or temephos) used by the Onchocerciasis Control Program (OCP), EECI will commission a study to evaluate the advisability of requesting an extension of OCP to include Soubre. The likelihood of

blackfly becoming a significant nuisance, and the design of the dam (especially the spillway) will both be addressed by this study. The study will be sent to the Bank shortly after construction starts.

3.2 Schistosomiasis: Since both Schistosoma hematobium and S. mansoni occur in other hydroproject regions of the Ivory Coast (e.g., Kossou, Buyo, Ayame), and since construction of the Soubre hydroproject is likely to increase the risk of Schistosomiasis, EECI will commission a control program. This program may include snail and disease monitoring, screening of workers and habitat destruction. The program design will be sent to the Bank shortly after construction begins.

3.3 Other Diseases: The risk of other project-related diseases also will be assessed (e.g., Malaria, Dracontiasis = Guinea Worm) and appropriate control measures will be implemented.

4. Pre-impoundment Measures

Selective clearance of vegetation and other specific measures will be designed and implemented before dam closure. In particular, fish corridors, reservoir access and navigation, water weed and disease vector control, water quality and timber salvage needs will be addressed. EECI will send a summary of these measures to the Bank before they are implemented.

5. Environmental Conservation

Unless special precautions are implemented, construction of the Soubre hydroproject will exacerbate the already intensifying pressures on the Tai National Park. This park is so significant that it was protected by Presidential decree in 1972, and strengthened by another Presidential decree in 1973. The importance of this tract was recognized by the country in 1973, when it was accorded special status under the London Convention. The Government elevated this park--the last extensive tract of dense evergreen forest ecosystem remaining in West Africa--to UNESCO's Man and Biosphere Program in 1974. Allochthouous settlement on (and in some cases inside) the eastern boundary already is damaging the park. The Soubre reservoir will decrease the space between the Sassandra River and the park. Until more detailed topographical maps become available, EECI cannot be certain how close the reservoir will come to the park. Furthermore, some fauna (particularly endemic and endangered species) in the area to be impounded will die (as at Buyo) unless escape routes are identified or a salvage program implemented. In view of the above, EECI will design and implement preventive and mitigatory measures to limit this damage.

The draft measures will be reviewed by an independent ecologist of EECI's choice, experienced in wildlife salvage and in the design of parks. A summary of these measures and the review of the independent ecologist will be sent to the Bank at least one year before the start of reservoir filling.

6. Environmental Coordination and Training

Much of these environmental programs overlap and require careful coordination (e.g., resettlement, health, Tai National Park measures). Since the need for such environmental work will increase as the Soubre hydroproject starts and as subsequent hydroprojects are designed, EECI will create a small and effective permanent environmental coordination unit, either by contract, or by consultants, or in-house. EECI will design this unit so that it will be functional by the time the loan is signed, and will operate it for the duration of the project.

Abbreviations/Acronyms

BETPA = Bureau d'Etudes Techniques de Projets Agricoles (Ministry of Agriculture)
EECI = Energie Electrique de la Cote d'Ivoire
OCP = Onchocerciasis Control Programme

2/23

The following will attend the 11:30 meeting tomorrow:

Barbara Bramble - Director, International Programs
National Wildlife Federation

2-29

Joe Tydings - Chairman, Population Crisis Committee

Brent Blackwelder - Director, Energy Projects
Environmental Policy Center

Tom Stoel - Director, International Projects
Natural Resources Defense Council

Bruce Reid - Natural Resources Defense Council

Jim Lee and Judy Maguire will also join.

RAHSZG

~~Visvanathan~~ Rajagopalan - Director, Project Policy
Department

James Lee - Environmental Adviser

Judith Maguire - Information & Public Affairs
Specialist

OFFICE MEMORANDUM

TO: Dr. James A. Lee, Environmental Adviser,
Office of Environmental Affairs

FROM: James B. Burnham, U.S. Executive Director

SUBJECT: Bank Environmental Policy

DATE: July 19, 1983

On June 28, 1983, several environmental organizations testified before the House Banking Subcommittee on International Development Institutions and Finance about World Bank environmental policy. In their statements, the organizations alleged that some World Bank supported projects have had significant adverse effects on the environment and the natural resource base of borrowing countries.

The Subcommittee has requested a response to the issues raised by the environmental organizations. Some of these issues relate to the environmental effects of individual projects; others relate to overall Bank policy with respect to concern for the environment of countries in its project work.

Attached are the prepared statements of the environmental organizations to which we are requesting a response from the Bank. We should appreciate your addressing specifically the points raised with respect to those projects which are identified by name and discussed in detail in the attached statements, as well as addressing the more general issues of Bank environmental policy. In addition to the Congressional requests, the Treasury Department has expressed an interest in sampling a specific selection of prior projects to assist in a neutral examination of the issues of concern to the Committee. I would like to review this list with your office later this week.

Thank you for your assistance in enabling us to meet this expression of Congressional interest in World Bank activities.

Attachment

OFFICE MEMORANDUM

DATE July 20, 1983

TO Mr. V. Rajagopalan, PAS

FROM James A. Lee, PASEN

EXTENSION 75366

SUBJECT Attached Request from U.S. Executive Director

1. The attached was received late yesterday.
2. It should have been routed through channels and not directed initially to this Office.
3. The questions raised about specific projects should be directed to the appropriate Regional Offices for consideration and preparation of the replies. ✓
4. The more general policy questions, etc., can be appropriately handled by this Office. ✓
5. We are willing to coordinate the handling of the testimony, i.e., its despatch to the Regional Offices and the collation of the responses for transmission to the U.S. Executive Director. ✓
6. The request of the Treasury Department to "... sample a specific selection of prior projects to assist in a neutral examination of the issues of concern to the Committee" should be considered by the Regional Offices and the SVPOP.
7. Please advice on how you wish to proceed, keeping in mind the limited resources available in the Office.

Attachments

JALee:on

Mr. Lee.

Please coordinate the response on specific projects with Regional staff. If you have any difficulty Mr. Husain would be pleased to bring it to the attention of the OVPs. He will raise this at the next OVP meeting. If you think that it would be helpful.

JK
7/20

OFFICE MEMORANDUM

DATE: July 21, 1983

TO: Mr. S. Shahid Husain, OPSVP

FROM: James A. Lee / PASEN

EXTENSION: 75366

SUBJECT: Request from U.S. Treasury Department - Response to Testimony Before the U.S. House Banking Subcommittee on International Development Institutions: Environmental Policies, Practices and Experience

1. On June 28, 1983, a group of environmental and anthropological organizations testified before the U.S. House Banking Subcommittee on International Development Institutions and Finance concerning the impacts on the environment, natural resources, and indigenous people of projects financed by the multilateral development banks. In their statements the organizations' spokespersons alleged that some World Bank-financed projects have had adverse consequences.

2. The Subcommittee Chairman has requested a response to the issues raised by the environmental and anthropological organizations. Some of these issues relate to specific projects, while others relate to overall Bank policy with respect to concern for the environmental and natural resource dimensions of country economic and sector work.

3. It would be appreciated if you would alert the Regional Vice Presidents to this matter and inform them that, in coordinating the overall reply, I will need the full cooperation of their Regional staffs.

4. The importance of these hearings and the Bank's response to the testimony should not be discounted. Further hearings are planned, and the U.S. contribution to the Bank, and its voice and vote, will in the future reflect growing Congressional interest in these matters of environment, natural resource and indigenous peoples.

JALee:on

cc: Messrs. V. Rajagopalan, PAS

T. Blinkhorn, IPA

P. Riddleberger, IPA

OFFICE MEMORANDUM

DATE September 19, 1983

TO Ms. Jane Tralka, PASEN

FROM James A. Lee, PASEN

EXTENSION 75366

SUBJECT Congressional Testimony

1. The responses to the Congressional Testimony should be received in this Office on or before September 24. On September 26, please take steps to find which organizational units are delinquent and remind them to transmit the material without delay.
2. During my absence on mission, September 26-October 14, please undertake to organize the responses in a manner suitable for transmission to the Department of the Treasury and thence to the Congressional Committee.

I would hope that upon my return the material will be ready, or nearly so, for review and early transmission.

cc: Messrs. Rajagopalan, PAS
Goodland, PASEN

JALee:on

TESTIMONY

CODE

- | | |
|--|-----------|
| 1. Testimony of Committee Chairman
Jerry M. Patterson | (CHM:JMP) |
| 2. Testimony of the National Congress
of American Indians | (NC:AI) |
| 3. Testimony of Dr. B. Blackwelder,
Water Policy Project, Environmental
Policy Institute | (BB:EPI) |
| 4. Testimony of John Horberry, IIED | (JH:JES) |
| 5. Testimony of Dana Martin,
Washington Office on Latin America | (DVM:LA) |
| 6. Testimony of Shelton Davis,
Anthropology Resource Center | (SHD:ARC) |
| 7. Testimony of David Price,
Cornell University | (DP:CU) |
| 8. Testimony of Barbara Bramble,
National Wildlife Federation | (BB:NWF) |
| 9. Testimony of Bruce Rich,
Sierra Club | (BR:SC) |

January 11, 1983

Mr. Thomas Blinkhorn, IPA
(through Mr. V. Rajagopalan)

James A. Lee

75366



Bank Environmental Policy

1. The Bank's response to Mr. James Burnham's July 19 request of this subject is attached. As requested, all project-specific points are addressed individually to the extent possible. Where groups of related points raise more general issues of the Bank's environmental policy, this also is discussed, per your request.
2. The prepared statements of the environmental organizations sent to this Office contain much overlap, both in projects and in policy matters. Similarly some policy matters were referred to under different sectoral contexts. Therefore, this response consolidates the specific questions and discusses them together where feasible. Otherwise, the response follows the layout of the statements in the order in which Mr. Burnham sent them.
3. If you need any further assistance, please contact me.

JAL/ds

Attachment

February 9, 1984

Mr. Shahid Hussain, OPSEVP
(through Mr. V. Rajagopalan)
James A. Lee, PFDES

75366

Handling of Forthcoming U.S. Congressional Hearings on the
Environmental Work of the World Bank

1. The 1983 Hearings before the U.S. Congress' Subcommittee on International Development Institutions and Finance on the subject Environmental Impact of Multilateral Development Bank Funded Projects, threw a spotlight on the environmental and natural resources work of the development assistance institutions, particularly the World Bank.
2. The U.S. Department of the Treasury has informed the U.S. Executive Director that additional, and more comprehensive, hearings will be held later this year.
3. You will recall that responsibility for coordinating and otherwise preparing the Bank-wide response to the 1983 Hearings was assigned to this Office. It proved to be an undertaking that required staff and budgetary resources greater than those available to me.
4. As we can expect the U.S. Executive Director to make similar requests with respect to the upcoming 1984 Hearings, I have alerted the IPA Department and asked that they undertake responsibility for handling it.
5. We, of course, will wish to be of all possible assistance to IPA in this matter.

JALee:on



NATIONAL WILDLIFE FEDERATION

1412 Sixteenth Street, N.W., Washington, D.C. 20036

202—797-6800

1 - Executive Director
2 - Parliament Office Copy

Statement of Barbara J. Bramble

On Behalf of the National Wildlife Federation

before the

Subcommittee on International Development Institutions & Finance

of the House Banking Committee

Environmental Impacts of Projects and Policies

of the Multilateral Development Banks

On behalf of the National Wildlife Federation, I am pleased to have the opportunity to appear today, to discuss the environmental aspects of the activities of the multilateral lending institutions. These are major international institutions charged with development assistance to poor nations. Their role is to lend money at preferential rates for projects and programs which should provide the basis for the gradual improvement of the standard of living of developing nations. But frequently, the unintended consequences of many of these projects actually make the situation worse for the very people they are trying to help. The reasons for this are many, and would require a long discussion of development theory to uncover. But one of the reasons for the difficulties and failures of many development projects, as well as entire programs, is the lack of understanding among planners of how natural resource systems function. In many instances the planners apparently fail to recognize the

real opportunities and constraints in which the projects must operate. It is this subject which we have come to discuss today.

The National Wildlife Federation (NWF) is the nation's largest conservation organization, with over 4.2 million members and supporters. The Federation is dedicated to the wise use of natural resources. The NWF International Program was formed because we believe that appropriate use and management of natural resources underlies sustainable economic development. We are providing assistance to conservation organizations, forming all over the developing world, which we hope will lead to a growing constituency for natural resource management and conservation in each country. One of our goals is to build an awareness that conservation is basic to development and not a luxury.

Currently, we are learning from our colleagues in other countries that this process of awareness building is complicated by the entrenched, traditional development thinking of influential international organizations, including the multilateral development banks (MDBs). For example, a bank's country programme paper may be used by the local government as its development strategy and major planning tool. Yet this document may contain little information or analysis of the status of the natural resource base of the country or the proper role of resource management in the overall development plan. In addition, the decisions of the MDBs pave the way for other, perhaps even larger, investments by commercial banks, in the same or related projects. The

presence of the MDBs provides investment confidence. Therefore, the influence of the MDBs on development thinking, and directly on natural resources, goes way beyond the dollar amounts actually invested by them.

We are concerned because we are seeing important decisions being made without necessary information about their consequences. These decisions are adversely affecting millions of people as well as the natural environment.

NWF wants to make very clear that we believe in the necessity of economic development in the less developed countries. Improvement in the standard of living for these nations is just as crucial for the long-term conservation of natural resources, as sound resource management is to sustainable development. So we are seeking to improve the chances of success for long-term development, not to stop it. We believe that if the development programs of the MDBs can be directed toward sound resource management and appropriate technology, they will influence other lenders in that direction as well.

Let us discuss a few specific examples to illustrate some of the current problems, and then we would like to recommend improvements.

Water Projects

One category of projects which cause serious problems is large scale water projects for irrigation and hydroelectric power production. These projects have been, and probably still are, conceived and carried out without full appreciation of the constraints of the predominantly tropical ecosystems in which

they are located. The litany of unintended consequences of many of these projects is familiar and will be elaborated in more detail by others today. But I will outline a few of the more serious impacts that have been experienced.

Irrigation schemes cause severe environmental impacts and social disruption. By their nature they interrupt the seasonal pattern of river flooding in which rich silts are deposited to renew the lands' fertility. Often thousands of people are forcibly moved to less productive land to continue subsistence farming, while the better land is converted to mechanized monocultures. Even if the people are allowed to stay, the scheme may support fewer families than already farmed the region.^{1/}

If the irrigation scheme is designed for the production of export crops instead of food, the net nutritional status of the region may actually decrease. Converting subsistence farms to monocultures increases their vulnerability to pests, and initiates the treadmill of mass applications of pesticides.^{2/}

Hundreds of thousands of irrigated acres are losing productivity due to waterlogging and salinization because of inadequate drainage, for example in India and Pakistan.

^{1/} See description of the Rahad project, in The World Bank by Cheryl Payer, pp. 281-2.

^{2/} Instead of investigating the utility of integrated pest management and the intercropping system used for years by local farmers, the World Bank has shackled all participants in the irrigation schemes to rigid regimes of specific seeds, fertilizers and pesticides. These rules are enforced by the power to withhold credit and insurance. The Diama Dam project in Senegal allows only commercial rice, the Rahad project, cotton and groundnuts. The latest developments at a similar cotton project in the Sudan, called Gezira, should be an expensive warning. (See p. 7 below).

Downstream water quality is reduced due to lack of dissolved oxygen, pesticide contamination and lower flows. This adversely affects river and coastal fisheries which are often principal sources of protein.

Hydroelectric power reservoirs usually occupy large areas of bottomlands. In some cases the project inundates the only fertile farmland for miles around. The two dams planned for the Artibonite Valley in Haiti will flood land that could feed up to 60,000 people. Several projects have flooded major parts of the homeland of entire tribes of indigenous peoples, as did the Bayano Dam in Panama. The Volta River project in Ghana flooded 80,000 people from their homes. Since most land suitable for crop production is already under cultivation, the residents must be moved to more marginal areas. In other cases, the reservoirs flood important tracts of tropical forests, which may contain potentially valuable species, found nowhere else; Panama's Bayano Dam is an example. And ironically, the resulting power production is not available to rural people, but is carried out of the region for urban and industrial uses.

Reservoirs covering tropical moist forests are prone to severe water quality degradation due to decay of the forest vegetation over a period of perhaps decades.^{3/} Thus, reservoir fisheries may not develop as a source of protein to compensate for that which was inundated.

^{3/} Lake Brokopondo in Surinam is the classic case, in which hydrogen sulphide was produced by the decaying vegetation, causing workers at the dam to wear gas masks for two years. The lake water was acidified in this process, corroding the dam's machinery.

One of the most dismaying consequences of many of these projects has been the major increase in debilitating diseases, such as shistosomiasis and onchocerciasis, among the people living along the banks of the reservoirs or canals. Disease rates have reached 70 and 80 percent of these populations in Africa, and the problem is growing in Latin America.

Another effect is common, but not as direct: shifting cultivators, forced out of the bottomlands (if the area was populated) or else entering the area for the first time via access roads to the project, move up onto the surrounding hillsides to cut forests and grow crops as best they can. Bare hillside plots, subjected to tropical rain and sun, erode quickly and lose their fertility. The farmers must move on, to continue the deforestation process. Meanwhile silt accumulates in the reservoirs, and damages power generation machinery or irrigation works. The project life may be shortened, the forest, fisheries and soil resource base of the region is degraded, and the food production potential for the people of that area does not improve, and perhaps declines.^{4/}

Unless the end use of the electricity, or the irrigation water is labor-intensive industry or agriculture, it is hard to see the benefits to justify the natural resource destruction.

^{4/} The World Bank has begun to consider this factor in its project planning and has recently required setting aside watershed protection areas as national parks and forest reserves to reduce deforestation. This has been done in Colombia at the Guavio hydro project, and in the Phillipines in the Pantabangan and Magat watersheds.

But often the result is mechanized monocultures, mostly of export crops such as cotton in Senegal and the Sudan, or industries which can employ only trained, and often foreign, labor such as the aluminum smelter subsidized by Ghana's Volta River project. And the monocultures may not be sustainable, as illustrated by the Gezira irrigation scheme in the Sudan. There, pesticide use to protect the cotton crop has so unbalanced the natural system of insect predators (requiring more and more pesticides) that the cost of imported chemicals now exceeds the foreign exchange earned by the cotton. This cotton program has been the cornerstone of the economy of the Sudan.

The World Bank has put almost \$6 billion into hydro dams between 1980 and 1982, and almost \$1 billion into irrigation and drainage in 1982 alone. The IDB spent half a billion dollars on hydroelectric power in each of 1981 and 1982. Current plans, apparently, are to continue this process.

Cattle Ranching

For this category of loans, the benefits are even more difficult to discern. Both the World Bank and the Inter-American Development Bank (IDB) have put considerable sums of money into cattle production, particularly in Central America and Brazil. They have made loans to finance cattle ranches, construct beef packing plants and protect livestock against diseases. Lending for livestock operations has been the single most important type of credit activity in the agriculture sector,

according to the World Bank's policy paper on agricultural credit in 1975. Between 1971 and 1977 the World Bank and the IDB provided more than \$1 billion to Latin America for these purposes. Most of the livestock loans go toward the development of large ranches. This beef is being produced for export, much of it to the United States. The environmental and social consequences of these projects are almost all adverse.

Much of the expansion is taking place on land that is not suitable for cattle grazing. Instead, tropical forests are being cut down, on a huge scale, and converted to grasslands for a short period of years.^{4/} Many of these projects must be abandoned within 10 years. Grassland productivity of these soils is extremely low, permitting yields as low as 22 pounds of beef per hectare per year. By contrast, intensive agro-forestry techniques could produce thousands of pounds of corn and other vegetables per hectare per year, on a sustainable basis.^{5/}

In other cases, where tropical forests are not being cut down, preferential credit for cattle operations is encouraging the conversion of the limited supplies of fertile cropland to cattle production. Yet the region's per capita beef consumption

^{4/} Tropical forest soils are, by and large, infertile. The nutrients reside principally in the tree cover itself, and are quickly recycled from fallen leaves and branches back into living trees. So when the forest is cut and burned, the nutrients in the ashes, and the top inch or so of soil, can be used for only a few years until they leach out or wash away in heavy rains.

^{5/} Nations, James D. and Daniel J. Komer, "Immigrants and Beef Exports: Deforestation in Central America", Cultural Survival Quarterly, Spring 1982, p. 10.

is actually declining, so there is no benefit to the majority of the population. Farmworkers, displaced as cropland is turned into pasture, must seek out marginal lands, often tropical forests and hillsides, to grow food. This adds to the destructive impact of direct forest conversion, especially degradation of watersheds and remaining tropical forest habitat.

In addition, cattle ranching requires very little labor, so it contributes to already massive unemployment or underemployment.

Many factors combine to indirectly encourage the expansion of cattle ranching in Central America, including U.S. demand for lean, inexpensive beef for processed products and fast food hamburgers. But the banks are contributing directly, by financing these projects.

The cattle ranches are not very productive at their best, and compare badly with even traditional peasant agriculture, much less intensive agro-forestry. It is not in the best interest of anyone, except the individual landowners, for these lending programs to be continued.

Transmigration Schemes

Another category of bank lending is financial assistance to governments who wish to move millions of landless people into undeveloped tropical forest regions.

The projects are advocated to relieve the population pressure in crowded areas, and to open up vast undeveloped

resources. Brazil and Indonesia are implementing two of the most grandiose of these schemes, both with the assistance of the World Bank. The problems and impacts of these projects are strikingly similar. In both, hundreds of thousands of people are being moved into tropical forest regions each year. Tools, seeds, roads, and in some cases housing, village centers, schools and clinics are provided. Instead of planning a forest-based economy, project proponents intend that the land be cleared for farming. So to perfect their homestead title, each immigrant family must clear a certain proportion of their land immediately. But very little of this land is suitable for farming.

In Indonesia, the crowded island of Java has a rich volcanic soil, and a successful system of intensive agro-forestry, which supports 65% of Indonesia's population on 7% of its land. But the transmigration project is designed to move up to 15 million people to tropical forest regions on the thinly populated outer islands. Estimates vary, but even fair-quality soil probably accounts for less than 5% of the total land area of the outer islands. Good-quality soil, defined as that which would still be fertile in 20 years, accounts for less than 1% of the area. The plan is for the immigrants to grow upland rice, which requires regular applications of fertilizer and water. Thus, to have any chance for success, these farmers must have access to reliable credit to buy fertilizer and irrigation to bring water throughout the growing season.

Neither are likely. Meanwhile, invaluable tropical forest is being cut for these settlements. The farmers' yields so far have been low, because of their inability to buy sufficient fertilizer; and in some areas the rodent population, having lost its forest habitat, is happily destroying the rest of the crop.^{6/}

In Brazil, too, many of the settlements are failing, for lack of expensive inputs, and lack of training in the special and difficult task of farming soils of former tropical forests. The Polonoreste project is designed to settle Brazil's vast Northwest, by clearing nearly 2 million hectares (mostly tropical moist forest) near the Bolivian border. In Brazil's earlier attempts to colonize the Amazon basin along the Transamazonica Highway, only 7% of the settlements appear to be successful after several years.

This project is endangering several indigenous tribes, some of whom have only recently been contacted by outsiders. The tribal people are vulnerable to decimation by diseases, such as influenza and measles, and loss of the land which sustains them. To its credit, the World Bank has acted to ameliorate some of the worst aspects of the Polonoreste project by insisting on the demarcation of substantial areas as national parks and tribal reserves.

But we cannot ignore the fact that valuable ecosystems are being destroyed, for unsustainable uses, in an attempt to

^{6/} New Scientist, 22/29 December 1977, p. 804.

relieve political pressures caused by overpopulation and unemployment. A resource with great potential for sustained management is being destroyed or permanently degraded for a short-term use. Ecologists and land managers are just beginning to learn how to use tropical forests over the long-term without degrading their productivity. The forests should not be destroyed before we learn to extract their value on a sustainable basis.

Ironically, in Indonesia, the most ambitious transmigration plans would relocate less than Java's annual population increase of 2.6 million. Thus, each year the government faces the same pressures with less resource base to rely on. Clearly forestry-based alternative sources of income, and labor-intensive industry on Java would be projects more in the long-term interests of Indonesia.

Lessons to be Learned

I have gone through this list, not to accuse the sponsors of these projects of malevolent intent; nor in hope of stopping all such projects. I think planners can learn to avoid some of the worst errors of the past and build in environmental safeguards. Indeed, the World Bank has learned much from these past experiences, and its environmental staff is publicizing improved analytical techniques.^{7/} But I want to point out what this past

^{7/} See e.g., "Environmental Optimization in Hydrodevelopment of Tropical Rainforest Regions", Robert J. A. Goodland, Man Made Lakes and Human Health, 1979, Panday, R.S. (ed.)

history demonstrates: (a) environmental planning and sustainable natural resource management must be part of overall analysis and strategic economic planning; (b) there is a need for full assessments of the environmental impacts of development projects before decisions are made; (c) there must be evaluations of impacts found after project completion; and (d) these studies must be made public and information widely distributed.

We still find government and development agencies pushing for large-scale water projects, cattle expansion, and transmigration schemes, without appropriate environmental safeguards. They are either uninformed about the potential impacts, which may limit the project's economic future and degrade their natural resources, or else they are advocating the projects for other reasons, such as to strengthen their claims in a territorial dispute.^{8/} In either event, public disclosure of the environmental assessment would permit the true costs and benefits of the projects to be evaluated. At the very least, such information would encourage the U.S. directors on the banks' boards to take positions consistent with the stated goals of our policy to target development assistance to the poor.

^{8/} The upper Mazaruni hydroelectric project in Guyana is proposed at least in part to defend western Guyana against territorial claims by Venezuela. Brazil's Polonoreste project apparently is hoped to avoid border disputes with Bolivia.

One of the basic problems is still that the function of the renewable resource base is not understood. This seems to be the case in Indonesia, where the difference between the capability of the soils to sustain agricultural crops between Java and the other islands is profound. Yet the assumption still is common that the Java home garden system can be simply transplanted. In other cases, engineers and economists may still be thinking of damage to the renewable resource base as an "externality". But we are not talking about expensive but reversible mistakes, such as permitting industrial plants to be built without pollution control equipment. (By and large, such plants can be retrofitted, although often at a much greater cost than that of proper original design.)

Here we are instead addressing long-term degradation or loss of resources such as agricultural soil, fisheries, watershed protection, future reservoirs of biological diversity, and irreversible harm to indigenous peoples. These people and environmental factors are not external to these projects: they are crucial to how, or whether, the projects can achieve their central purpose.

Progress at the World Bank

Some analysts have concluded that the banks really do not consider long-term environmental issues as part of their concern, and that they are more interested in maximizing financial returns to governments and "well placed individuals".^{9/}

9/ Payer, Cheryl, The World Bank, p. 295.

Certainly these serious adverse effects are rarely acknowledged even as unfortunate side effects of the banks' "real" work. Public relations reports and brochures may indicate that appropriate environmental analysis is undertaken when necessary, but (with significant exceptions) this is not carried out in practice.

The significant exception is the Office of Environmental and Health Affairs of the World Bank. This office is attempting to implement four vital functions, and it is making remarkable inroads, considering its size. But a staff of four or five professionals cannot possibly accomplish what is needed. They are responsible for: (1) writing, and "lobbying" through the bureaucracy, analyses and recommendations of the World Bank's policies regarding environment and natural resources, seeking higher level recognition and support for serious environmental planning; (2) producing guidelines, handbooks and criteria to help bank personnel take natural resource factors into account in project preparation; (3) producing training materials and seminars for bank economists and engineers, many of whom do not yet understand the relevance of these factors to their work; and (4) evaluation of the environmental aspects of most bank projects as they come through for approval. Any one of these tasks would swamp an office this size. The staff is also trying to cajole other development banks to follow their lead.

But they are up against thousands of development economists and engineers. Their project evaluation responsibility is

especially difficult, since they have little time to perform the review, and they do not have the benefit of environmental staff in the field to help them spot problems. They have held up several projects in order to force inclusion of environmental safeguards. But politically that is difficult, and they cannot do it very often.

We know from experience that appropriate environmental planning starts at project conception, and continues through evaluation of alternatives, and project design. Catching a project at the end, just before approval, always means that the environmental factors are seen as expensive add-ons and delays; and they will be resisted for that reason, more than any objection to their value. Thus, the World Bank environmental office can improve a few disastrous projects, but as currently structured, and with its tiny staff, it cannot effectively promote ecologically sustainable development.

Recommendations

The ultimate objective of our recommendations is sound natural resource management over the long term. We are not interested in the production of documents or the institution of procedures for their own sake. But we recognize that large bureaucracies can only act on the basis of established rules and procedures. Therefore the intermediate objectives are process-oriented.

We also recognize that the activities of the MDBs are responsible for only part of the global degradation of natural resources, and that other actors are involved, if not as easily identified. But the Federation believes that we can only make progress if we work methodically on each part of the overall problem, as it is isolated and understood. We are therefore not singling out the MDBs as villains or assigning blame. But we do see some serious problems that they are causing, or perpetuating, through lack of environmental planning. If that can be remedied, it will contribute toward sustainable economic development.

1. Internal Review

We hope that as a result of this hearing the Subcommittee will enumerate needed changes and additions to the instructions from the Treasury Secretary to the United States executive directors of the banks, in order to promote improved environmental planning and analysis. Therefore, we invite the Subcommittee to consider the following recommendations to be adopted as goals of the United States representatives to the banks:

- a) All the banks should create policy and evaluation offices similar to the World Bank's Office of Environmental and Health Affairs, and staff them adequately for their workload.
- b) These offices should supervise the implementation of procedures to incorporate environment and natural

resource planning in all sector and country development strategy analyses. For example, the World Conservation Strategy (produced by UNEP, the World Wildlife Fund, the International Union for the Conservation of Nature and Natural Resources) should be addressed and adapted as part of each country's strategic planning.

- c) Environmental planners should be added to all project evaluation teams so that environmental factors and appropriate analysis of alternatives are taken into account along with economic factors from the beginning of project analysis.

The World Bank is on the right track in several of these areas, but the others do not appear even to have started.

2. Strategy Regarding Tropical Forests

It seems appropriate for this Subcommittee to consider the effects of certain types of development activities, and to develop guidelines for the U.S. directors of the banks in the exercise of their "voice and vote" on bank decisions. Several such guidelines are needed, and we offer here one example, regarding tropical forests (TMF):

- a) It should be the policy of the United States to promote only sustainable use and management of tropical forests.
 - 1) Prudent management would dictate that, while we still know so little about how TMF work and how to manage them, development within TMF should be minimized.

- 2) There is enough unavoidable invasion of TMF currently underway, by landless poor and illegal timber cutters, that all purposeful, controllable invasion should be eliminated. But in any event, all such developments must be limited to tree crop projects or agro-forestry, to resemble as closely as possible the natural system. Therefore, the United States should vote against all cattle ranching, migration or annual crop assistance projects that affect tropical forests.
- b) Appropriate alternatives that the United States should support include:
- 1) organic farming research, extension and credit programs in non-forest areas;
 - 2) extension and research to support existing small family farms (up to 3 hectares);
 - 3) transmigration to non-forest areas;
 - 4) tree farms and other rural energy projects;
 - 5) small watershed projects to supply power and irrigation needs;
 - 6) projects to rehabilitate watersheds, irrigation systems and degraded lands;
 - 7) rural and urban sanitary water supply and rehabilitation of leaking water systems;
 - 8) labor-intensive industry;
 - 9) family planning.

Additional similar policies, such as to support fisheries enhancement projects only within the context of riverine and coastal land management plans and the sustainable yield of the fisheries, should be developed.

3. Legislation

Along with Bruce Rich and Brent Blackwelder, who are also testifying today, I have evaluated the elements that would constitute appropriate legislation by which the United States could guide the banks along the road to better evaluation and use of natural resources for sustainable development. The National Wildlife Federation believes the following concepts should be included as goals for United States policy:

- a) Establishment of procedures to incorporate natural resources as basic factors to be taken into account in planning development strategy for a sector, a country, or a region.
- b) Inclusion of environmental planners as part of project evaluation teams.
- c) Availability to the public of environmental analyses of projects before project approval.
- d) Post-construction analysis of environmental costs and benefits of projects and programs, which also must be made public.
- e) Inclusion of environmental stipulations in the list of loan conditions, for appropriate oversight and enforcement, along with engineering and economic conditions.

To reinforce the importance of these goals, the United States must be prepared to

- a) vote against any project that does not have an adequate environmental assessment available for scrutiny by the U.S. Government prior to the project vote; and
- b) vote against any project which fails to meet criteria for ecological sustainability, protection of indigenous people, and conservation of critical natural resources.

The Federation stands ready to work with the Subcommittee to turn these concepts into workable legislation.

* * *

We must remember that the whole concept of development assistance is relatively new. It grew out of the destruction of Europe in World War II. Thus, in little over 30 years, the industrialized world has been trying to learn how to make a process of change happen for other people when we really do not understand that process ourselves. So far, development agencies have been only partially successful in some places, at great cost in damage to the natural resource base, and with little benefit to the people they are trying to help. We are on a learning curve, I hope, and this hearing is part of a continuing process of our collective comprehension of how to encourage sustainable development.

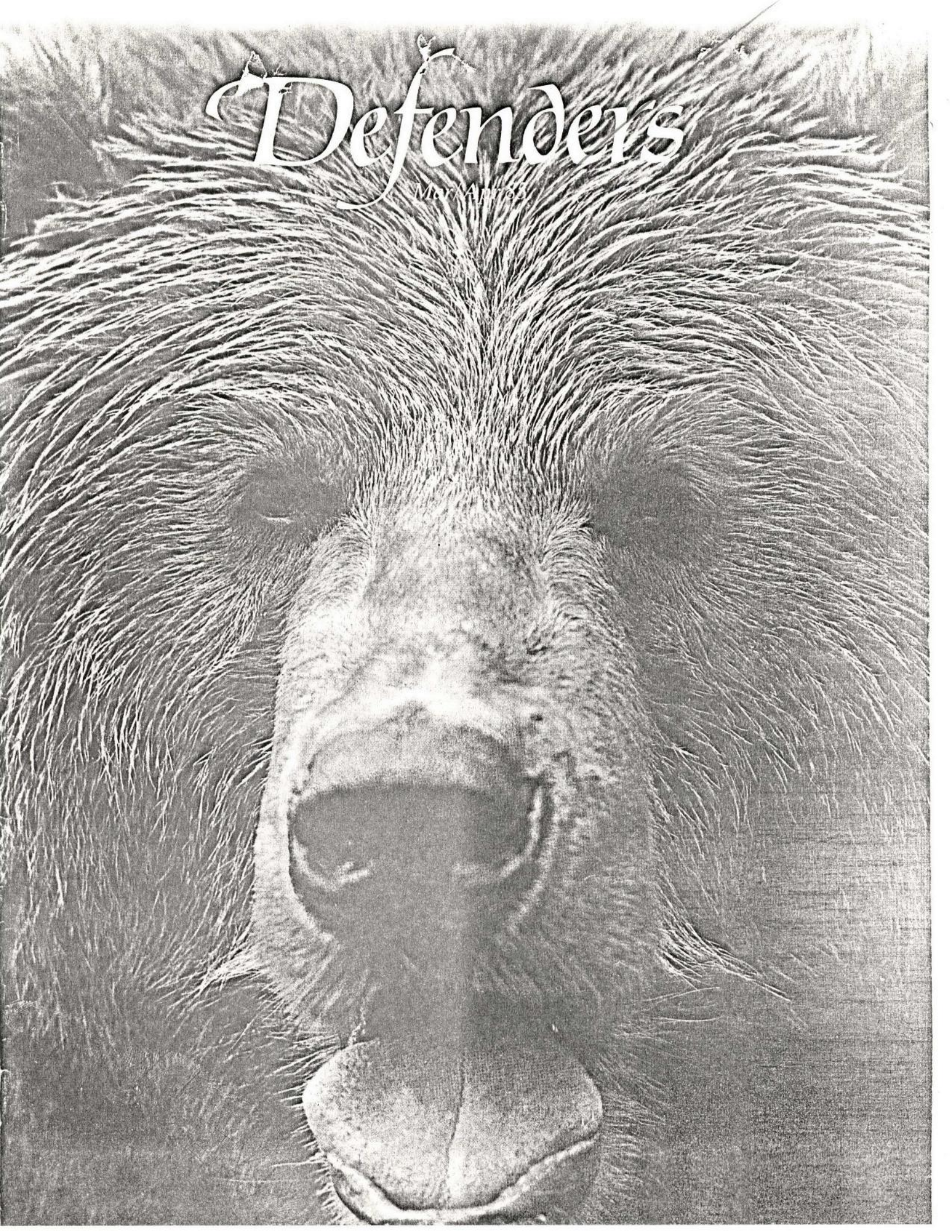
The development assistance organizations have to learn to do it right soon, or we will all suffer, even in the industrialized world. True national security for us in the United States depends upon improving the standard of living within the countries that are our neighbors, all around the globe that is our common home.

Thank you for the opportunity to address the Subcommittee on this important subject.

ROUTING SLIP		DATE: March 26th, 1985	
NAME		ROOM NO.	
Mr. Roy Southworth			
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
CLEARANCE		PER OUR CONVERSATION	
COMMENT		PER YOUR REQUEST	
FOR ACTION		PREPARE REPLY	
INFORMATION		RECOMMENDATION	
INITIAL		SIGNATURE	
NOTE AND FILE		URGENT	
REMARKS: This is the article that generated all the letters we are receiving on Brasil.			
FROM: Roberta Lovatelli		ROOM NO.: E-832	EXTENSION: 75606

Defenders


MAY 1962



Debacle in the Amazon

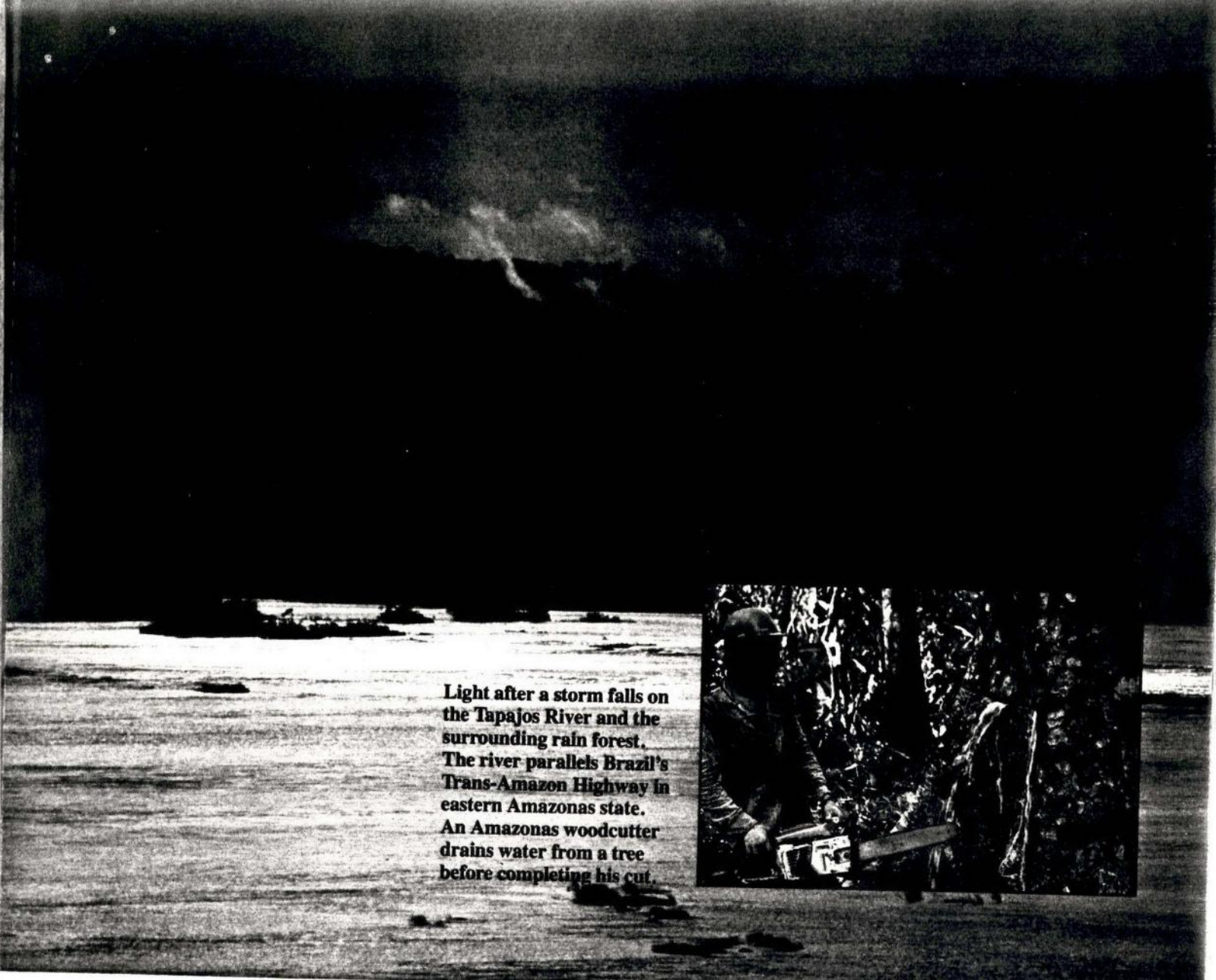
*In Brazil, development backed by
U.S.-dominated multilateral banks
is destroying part of the world's
greatest rain forest*

by Pat Aufderheide and Bruce M. Rich



DEEP in the rain forest of the upper Amazon, miles from a newly paved highway, an Indian of the Uru-eu-wau-wau tribe delicately fingers an odd piece of ridged metal. It is the top of a soda-water bottle, discarded by the child of a local settler. He takes it back to his village to amuse his son, who is coughing with a disease that has no name.

Nearby in a small clearing, a farmer looks despondently over his wilted field of rice. The crop should be ready for harvest, but in only the second season it has failed even to yield enough for the family's needs. When he moved with his wife, four children and a cousin to the state of Rondonia, the government promised him a homestead title in exchange for five years on the land. Now he is



Light after a storm falls on the Tapajós River and the surrounding rain forest. The river parallels Brazil's Trans-Amazon Highway in eastern Amazonas state. An Amazonas woodcutter drains water from a tree before completing his cut.



Walt Anderson/Tom Stack & Associates; inset, H. W. Silvester/Rapho

hoping he can stake a new homestead in virgin rain forest farther up the Amazon basin.

Each day, as chainsaws and tractors push into one of the world's last great reserves of biological diversity, Indians and farmers are playing out roles in a tragic scenario. But they are not alone. There is a leading actor missing from this picture: a development bureaucrat.

The development bureaucrat has long been a shadowy figure behind the bulldozers and bank loans that are deciding the fate of the Amazon rain forest and its inhabitants. But over the last two years, a campaign has been waged in a world financial center—Washington, D.C.—to put development economists and planners back into the picture. The

campaign, involving environmentalists, supporters of Indian rights, members of Congress and Reagan administration officials, seeks to enlist them in defense of the environment.

Ecologists have long been alarmed over destruction of the world's tropical rain forests, which are biological banks for the future and home to some of the most ancient and ecologically wise human cultures. As Catherine Caufield notes in her new book, *In the Rainforest: Report from a Strange, Beautiful, Imperiled World*, man already has destroyed half of this irreplaceable resource. Most of the destruction has occurred since World War II.

Brazil alone has a third of what remains. And in Brazil the dramatic danger to this lush-looking but all too

fragile ecosystem can be seen vividly. There, brazil-nut and mahogany trees, turtles and tapirs can be counted among perhaps a million plant and animal species. Biologists have barely begun to probe the forest's diverse biological riches, and they are racing against time, because in the Amazon basin a war against the future is going on in the guise of what the Brazilian government proudly calls "the largest agrarian reform project ever attempted." The Brazilian government, saddled with one of the world's largest international debts, has been promoting the Amazon basin as a new frontier, especially for large-scale and capital-intensive development schemes—huge dams for generating electricity, cattle-ranching, mining, cash-crop farming.

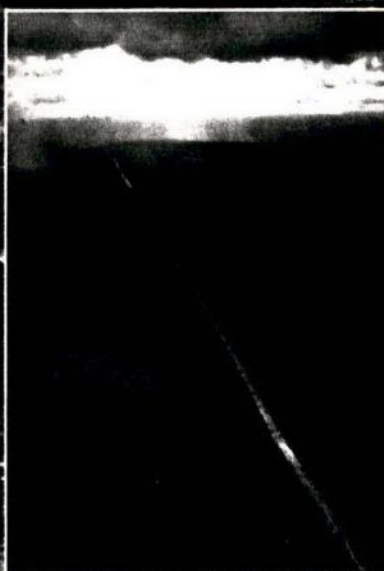
Standing in the way of development dreams are miles of trackless forest. With slogans such as "The Bold Ones March Westward," the government in the last decade has launched an unprecedented assault on the forest. And the assault has been so successful that one noted ecologist, Dr. Philip Fearnside, has estimated that at the present rate not a single tree will be left standing in the state of Rondonia—an expanse the size of West Germany—by 1990.

Many environmentalists believe that Brazil is not only jeopardizing world ecology but also robbing its own economic future. Therefore they point with alarm to the key role played in large-scale ecological and economic transformation by multilateral development banks.

These huge banks, which began after World War II when the World Bank was founded to bankroll European reconstruction and Third World development, are funded by national governments, with the United States contributing the biggest share of any country. Of the existing four institutions, the World Bank and the Inter-American Development Bank (IDB) are essential to Latin American development projects. The United States contributes 20 percent of the World Bank's funds and 35 percent of the IDB's funds—and gets a corresponding share of the votes in the institutions' decisions. The two banks in 1983 alone contributed \$6.46 billion to Latin American projects, and since the banks deal only in million-dollar figures, the money typically goes to expensive projects such as hydroelectric and large-scale agricultural schemes. Once these banks approve a loan, private bankers leap in to fund a project; private capital often matches development-bank investment at a three-to-one ratio. The multilateral development banks' money, in short, is the motor behind big Third World development.

But is it development or is it debacle? The doubts of environmentalists and supporters of Indian rights are spreading to the halls of Congress and even into the plush offices of the Washington, D.C., headquarters of the banks, as the results of one huge and disastrous project come in. The Northwest Regional Development Project, known in Brazil as Polonoeste, involves some 100,000 square miles of tropical forest in Rondonia

H. W. Silvester/Rapho; inset, Loren McIntyre



Deforestation in Amazonas, Brazil, contrasts starkly with rain forest along Trans-Amazon Highway BR 230 in Rondonia, inset, when it first penetrated the forest before settlement. Experts predict current cutting rates will leave no standing trees in Rondonia as soon as 1990.



and western Mato Grosso, where the Brazilian government has already cut a 900-mile road called BR-364. The government has invited hundreds of thousands of poor, landless peasants from other parts of Brazil to settle there, promising them some 39 towns where the settlers can sell their crops, send their children to school and get medical help for endemic malaria and other diseases.

The colonization plan limped along for years, until the government in 1979 asked the World Bank for a huge loan to help pave BR-364. But the bank was not blind to the region's problems: reports that the land was too poor to farm, that settlers were invading traditional Indian lands, that failing farmers were clearing huge strips of forest to prepare the land for cattle-ranching. Over the last 15 years, the bank has become increasingly aware of environmental questions, and it now has an office of environmental affairs. The office, however, employs only five of the bank's more than 6,000 staffers, and only one of them is a trained ecologist.

The bank's conditions for approving the Polonoroeste loans—which amount to 30 percent of the multi-billion-dollar investment—were several. The bank insisted on setting aside funds for biological reserves, a national park, four ecological stations and some national forest area. It also required the government to allot lands for 15 Indian parks and to protect the Indians' health. Finally, it demanded that farmers be given homestead land on fertile soil that did not threaten Indian lands or the health of the forest.

Five years later, the bank has committed nearly \$500 million, in seven loans, to Polonoroeste. More than half that money has gone into paving the road—the only part of the project that has been completed.

"Empty-handed, they were arriving, ready to conquer the jungle. And they did it," boasts a Brazilian government brochure featuring the large family of Raul Ribeiro posed in front of a small house in the forest. From all over Brazil, people have arrived, desperate for a plot in a country where 43 percent of the farmland is owned by one percent of the people. And they have been showing up in ever-greater numbers since the bank pitched in to help Polonoroeste become Brazil's new frontier. In the



years between 1978 and 1983, more than 275,000 settlers flocked to Rondonia. In 1984 up to October, more than 115,000 new settlers arrived.

Most did not have the happy experience that the Ribeiro family did. Many discovered instead that cash crops like rice and coffee need more than a tropical rain-forest environment has to offer. The tropical rain-forest soils are, in fact, among the poorest in the world. High temperatures and high rainfall combine to leach away minerals. They also break down clay in the soil so that it cannot hold these nutrients. The richness of the forest is all above the ground, in the trees and other vegetable matter. When the settlers slash and burn, the ashes float downriver along with the settlers' hopes.

The settlers also discovered that the promised towns and services were less than idyllic. At a demonstration to protest lack of government credit to small producers in Rondonia's capital, Porto Velho, last year, one settler said of his "urban nucleus": "We have lots of kids there, and people who need medical treatment,

and the clinic is closed for lack of personnel."

"There is precious little education up here," said another.

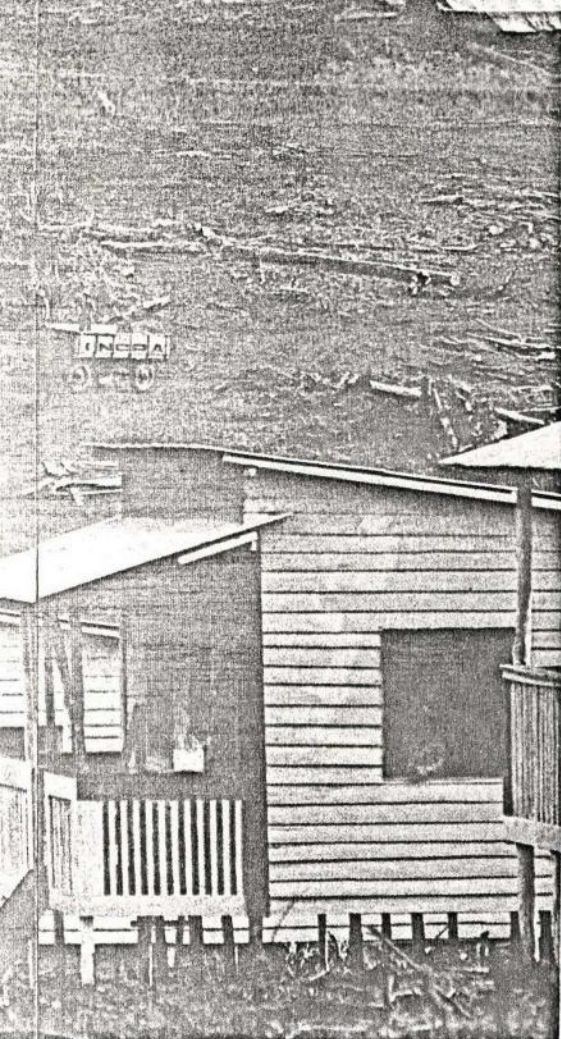
The settlers' options were so few on the poor soil, some pointed out, that many had taken to producing charcoal—the only saleable item. One man asked in indignation how he would be compensated for his claim when a nearby hydroelectric project flooded his land.

The World Bank has paid an expensive price for these settlers' bitter experience. According to one estimate the bank's investment in every family so far is \$12,000 in current dollars—a figure that baffles many settlers who find themselves poorer after two years of farming than they were before.

The bank might have guessed that settlement was at least chancy, given earlier experience in the Amazon. In the Peruvian Amazon, a study of six earlier settlement projects found desertion rates up to 92 percent. In Brazil itself, an earlier such project proved a spectacular failure. The Trans-Amazon highway constructed

in the 1970s was the centerpiece of a government plan to settle 5 million people south of the Amazon River. The project benefited indirectly from large multilateral bank loans for highway construction elsewhere in Brazil. Most of the settlers found they could not make a living off the land, and long stretches of the highway have been abandoned. Today a sign dangles from a tree along the road: "Next gas station, 980 kilometers. Beware of Indian arrows; drive with windows closed."

The Brazilian government, far from losing heart, keeps plowing on into the forest. It has already bulldozed a continuation of BR-364 into the neighboring state of Acre—an almost untouched expanse the size of Virginia where perhaps 5,000 Indians live. The road offers, for the moment, an escape route for failed farmers with nowhere to go back to. And as they abandon homesteads, more come to take their places. The government land agency, INCRA, has run out of land titles, and there are waiting lists two and three families deep for abandoned plots. Yet the government still



Claudia Andujar/Photo Researchers, Inc.

encourages new arrivals. At a demonstration in the south of Brazil where landless peasants gathered to protest their plight, an unmarked car pulled up and out of it were thrown hundreds of leaflets promoting settlement in the Polonoroeste region.

The Inter-American Development Bank apparently shares the Brazilian government's optimism. It recently approved a \$73 million loan to help pave the continuation of BR-364 into the state of Acre.

On paper, Polonoroeste is a celebration of the yeoman farmer. But when farms fail, the one-time rain forest quickly becomes a field for cattle ranchers and land speculators. The majority of small farmers own no cattle at all, but already 80 percent of them have cleared forest for pasture, hoping to increase the land's sale value. The problem, according to Brent Milliken, an environmental expert who performed an independent evaluation of the World Bank program in the area last year, is twofold: the clearing erodes the soil, and land is also quickly invaded by noxious weeds, which cattle cannot use as



Stephan Schwartzman



H. W. Silvester/Rapho

Ranchers drive cattle in Amazonas. Cattle-raising in deforested areas is highly destructive because it prevents regrowth of vegetation. The Brazilian resettlement colony, above left, is typical of those found along BR 364. A frontier town at the forest edge, top, is called a bang-bang for its wild-West atmosphere. Some 400,000 settlers who came to Rondonia between 1978 and September, 1984, found mineral-poor soil unable to support cash crops.

fodder. But many potential purchasers do not care. Speculation is often more lucrative in the short run than productive use of the land.

Cattle-ranching in the Amazon is one of the nightmares of an ecologist like the World Bank's Robert J. A. Goodland, who points in exasperation to the Amazon's wealth of forest animals and fish as much better—and renewable—development resources. Some economists argue that only government subsidy makes cattle-ranching temporarily profitable on tropical soil. But even when it is viable, cattle-ranching produces few jobs and de-

stroys the potential for a rain forest to return.

Yet cattle-ranching has been one of the favorite investments of multilateral development banks over the last two decades in Latin America. According to distinguished Mexican sociologist Ernst Feder, no single commodity in the Third World has received such extraordinary outside subsidy as livestock in Latin America. More than half the World Bank's cumulative agricultural lending in Latin America through 1980 went for livestock activities, according to economist Cheryl Payer.



Stephan Schwartzman



Loren McIntyre



Adrian Cowell/Transworld Features (UK) Ltd.

Manioc is transported by Indians of the Amazon basin. Some natives recognize 18 kinds of this staple food. The tribal chief of a Cinta Larga (big belt) tribe wears traditional garb. Amazon Indians are being decimated by disease because medical treatment often is not given in time. A professional hunter shows off a highly valued ocelot skin. He will try to kill 40 to 80 ocelots on each trip to the jungle.

Unlike cash-cropping settlers, they plant gardens rich in crop variety. Their typically small patches are usually cultivated for only two or three years before the forest is allowed to reclaim the land. The Indians may be the only experts capable of identifying the forest's astounding biological diversity. One tribe recognizes 18 different varieties of manioc, the staple crop of the Amazon, while only two varieties are yet recognized in biological taxonomy.

Many of these peoples have already paid the price of progress, in initial contact that devastated a tribe like the Surui, which in three years lost half its 600 members to new diseases such as measles and influenza. Those who survive face a new threat: the invasion of their lands by settlers desperate to stake a claim on land good enough to farm.

The Polonoroeste program, thanks to World Bank pressure, included from the start the marking off of land to be reserved for Indians. But most of the demarcation has yet to be done, and it gets more expensive to do with every new claim from settlers or—more likely—speculators. The consequences can be dangerous for everyone. In one place, the Lourdes Indian reserve, more than 750 settler families have moved into Indian land. In an attempt to dramatize their crisis, the Indians finally seized a dozen hostages for several days. The effort netted them newspaper articles, but no government action. In the Aripuana Indian park, conflict erupted when a 9-year-old girl of the Cinta Larga tribe was raped by workers on a hydroelectric project. The chief of the tribe threatened to kill the invaders. In other areas, settlers have lost their

IS ACRE'S TURN NEXT?

Another Amazon state is on the verge of disastrous de-greening

by Stephan Schwartzman

EVEN as northwest Brazil's huge Polonoroeste project area experiences disastrous deforestation from World Bank-financed development, the same process may be unfolding in the neighboring state of Acre. This time the multilateral bank involved, the Inter-American Development Bank (IDB), is taking a different tack. But environmentalists are asking whether the end result will be the same or even worse.

Acre, about the size of Virginia, embraces some 92,000 square miles at Brazil's western extremity. Until the mid-70s it was known best as a remote but profitable rubber-producing region. The rich Acre rain forest then remained 97 percent untouched. But with the arrival of agribusiness, speculators and growing throngs of migrants, deforestation is accelerating. If it continues at the present rate, say informed scientists, in another decade no forest will be left.

BR-364, paved through World Bank loans, is bringing 13,000 people a month into the state of Rondonia. But Rondonia has no more land for settlers. Authorities plan to send them on to Acre, to the adjoining state of Amazonas and to Roraima Territory farther to the north. This migration will be greatly aided by a newly approved \$58.5 million IDB loan for paving some 300 miles of BR-364 from Porto Velho, capital of Rondonia, to Rio Branco, capital of Acre.

The main problem with the BR-364 project is that a detailed environmental-protection plan will be prepared only as the present dirt road is actually being paved. The bank claims that it will impose strict conditions on later loan disbursements. "But this will amount to closing the barn door after the horses have been stolen," says Bruce M. Rich, attorney with the Natural Resources Defense Council. Rich and other environmentalists, along with supporters of Indian rights, contend that the project will spawn unsustainable land use, deforestation, invasion of Indian lands and

land conflicts. They point out that in Rondonia's Polonoroeste project, protection plans were prepared much earlier and were more comprehensive but still did not work.

Already, conflicts over land have flared in Acre, and some fear that increased migration will cause these to multiply dramatically. Last year, a senator from Acre appealed directly to Brazil's President João Figueiredo to halt the influx. In December, Acre Governor Nabor Junior called the present level of migration unsustainable. Yet the governor wants the road paved to bring in supplies and to take cash crops to market. Approximately half the land in the state already belongs to interests in the industrial south, many of them speculators. A paved road would increase the value of their holdings. And the contractors whose heavy equipment paved BR-364 as far as Porto Velho have a considerable interest in keeping that equipment moving westward.

A report from Brazil's Indian protection agency, FUNAI, predicts that the road eventually will affect more than 8,000 Indians as settlers spread up and down the river valleys it crosses. None of the 29 areas in Acre where FUNAI knows that Indians live is yet officially demarcated, which means that their lands are unprotected against invading settlers and land speculators. Since the mid-70s, violent confrontations between Indians and big landowners or the military police have been common. The IDB-financed paving project will greatly increase the threat to the Indians' future.

No one expects that the road will stay unpaved indefinitely, but the Brazilian government and IDB planned the project so hastily that many outside observers have become alarmed about its consequences. This past January, NRDC, other environmentalists and Indian rights advocates requested and obtained an unprecedented meeting with bank policy-makers. They emphasized the

possibility of a repetition of the Polonoroeste debacle and suggested modifications of the loan agreement—including prior demarcation of Indian lands—aimed at preventing potential problems.

The bank managers listened. Although insisting that the bank's concern with the environment predated the meeting, an IDB spokesman later declared: "The meeting with representatives of a spectrum of the environmental community on the Brazil project was the first of its type, and we believe it was helpful." What steps will actually be taken on behalf of the environment and the Indians, however, remain to be seen.

Meanwhile, NRDC Attorney Rich called the attention of the U.S. Treasury Department to the environmental problems of the project. As a result, loan approval was delayed for several weeks. When the loan finally came up for a vote on January 23, U.S. Executive Director Jose Manuel Casanova abstained on instructions from then Secretary of the Treasury Donald Regan—the first time a U.S. executive director of a multilateral bank has withheld endorsement of a loan on environmental grounds.

Because of the abstention, \$14.5 million from the bank's Fund for Special Operations was blocked, reducing the \$73 million slated for the loan by that amount. Commenting later, a Treasury spokesman said, "On balance, we felt the economic gains did not justify the costs. In short, the project was not a good investment for the IDB." Cited among the costs were "the unsustainable nature of the agricultural development likely to take place on the poor soils in the region and the heavy deforestation expected with road construction."

Some observers believe that, coming on the heels of the criticism of Polonoroeste, this will help set a new tone for multilaterally financed rain-forest development. Certainly it is encouraging that government officials

See ACRE, page 43



A mother and her children of the Nagarote Nambiquara tribe, one of dozens of tribes in the Polonoeste area vulnerable to the influx of settlers. Pleas to Brazil's government for protection of Indian lands have gone virtually unheeded.

lives to angry Indians, and one 7-year-old settler boy was captured and later killed. But many more Indians are dying as a result of colonization.

The World Bank, itself under pressure from supporters of Indian rights in both the United States and Brazil, repeatedly has urged the Brazilian Indian agency to protect the Indians' land. One group of the Nambiquara has seen a shrunken version of its land claims validated with demarcation. A few clinics and other health

projects have dramatically improved the health of surviving Indians. But most tribes have continued to see their ancestral lands invaded, with no security for the future. And far from demanding that the Brazilian government comply with its explicit requirement to demarcate Indian lands before releasing the next installment of its loan, the bank has actually speeded up payments to keep up the progress of road paving. The IDB's loan to help pave the continuation of BR-364

into Acre will put in jeopardy the lands and lives of the thousands of Indians living there now.

"With the extinction of each indigenous group," says anthropologist Darrell Posey, "the world loses millennia of accumulated knowledge about life in and adaptation to tropical ecosystems."

The destruction of the forest, remarks Dr. José Lutzenberger, goes hand in hand with destruction of cultures. "The loss of these cultures," he says, "is just as irreversible as the loss of a species."

The crisis far away in the Amazon rain forest became the subject of public debate in the halls of Congress in 1983. The process was set in motion by representatives of three environmental groups—the Natural Resources Defense Council, National Wildlife Federation and Environmental Policy Institute—that shared a concern about ecological devastation promoted by development projects. Prompted by their alarm, longtime conservationist Representative Mike Lowry (D-Washington) moved to introduce an environmental-action amendment into legislation authorizing funds for multilateral development banks. Then Representative Jerry Patterson (D-California) instead suggested holding hearings on the issue. The House subcommittee he chaired, which deals with international development finance, held a series of five hearings in 1983 and 1984. Information long buried in private bank evaluation reports became public record.

"We are not singling out the multilateral development banks as villains or assigning blame," testified the National Wildlife Federation's Barbara Bramble on the first day of hearings. "We do see serious problems they are causing or perpetuating through lack of environmental planning." She pointed out that sound economic development is essential to long-term resource conservation, but said her organization was alarmed that "this invaluable resource, which is a tropical forest, is being cut and degraded for short-term use."

The next day, David Price, who had worked as an anthropological consultant to the World Bank, soberly warned members of Congress that Indians' lives and health were endangered. "One cannot help but feel," he said as he summarized his frustrations, "that the World Bank is much

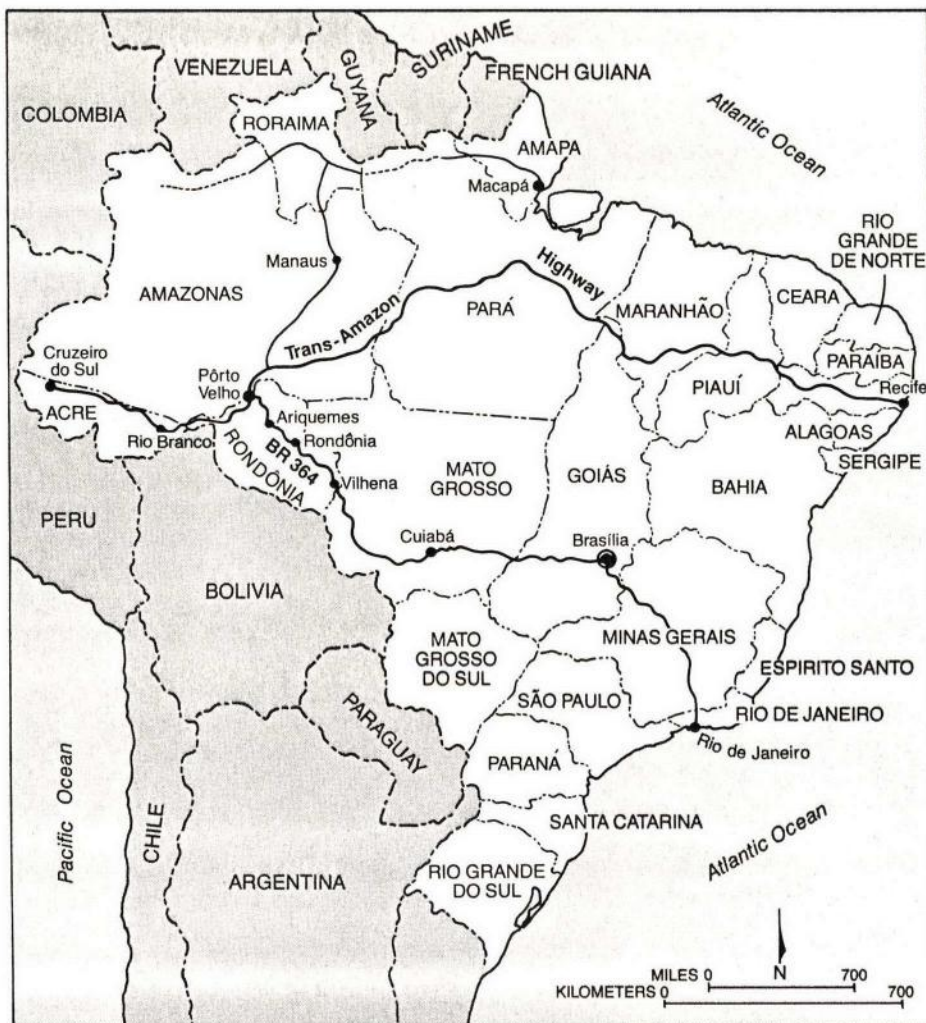
more concerned with images than with the welfare of the native minorities."

As the hearings proceeded to examine health issues and to expose hazards of pesticide use in Third World development projects, Congressman Patterson asked Secretary of the Treasury Donald Regan to get some explanations for the World Bank's actions. The result was more than a thousand pages of information that provide the most detailed public evidence to date on the bank's environmental policies.

The connection between development banks and the future of rain forests was also made when the Natural Resources Defense Council, on behalf of seven environmental organizations, testified at Senate hearings held in February, 1984, to consider appropriating money to one division in the World Bank, the International Development Association. Senator Robert Kasten (R-Wisconsin), the subcommittee chairman, had long been critical of international development lending. Worried about the bank's bottom line, World Bank President A. W. Clausen agreed to environmentalists' requests for a meeting before the hearings. "Don't hold IDA hostage to the environment," he begged them, arguing that the bank's environmental concern was greater than its reputation suggested.

When environmentalists testified before Senator Kasten's subcommittee, they did support funding of the bank. They also suggested ways to make sure the bank would at least observe its own environmental conditions on loans. The committee agreed with them, adopting their recommendations and also directing the Treasury Department—which tells the bank's U.S. representative how to vote—to monitor environmental issues. It also required the bank to report back within a year to demonstrate improvement in its environmental record.

When the five Patterson subcommittee hearings finally wound to a close last September with a review of recommendations to improve World Bank environmental policy, the Treasury official responsible for development issues, James W. Conrow, was there. "In appearing before you in June, 1983," he said, "I could honestly say that I was unaware of particular problems." Calling the testimony he had heard "surprising and distress-



Bob Pratt

ing," he went on to say that he had checked it for accuracy. "We found substantial corroboration of the information presented by most of the witnesses," he said. He also endorsed most of the recommendations, which included boosting the environmental staffing for banks and starting environmental training programs in the Third World, as well as involving environmentalists and indigenous peoples in development project planning from the start.

Of key importance was one committee recommendation: that U.S. representatives to multilateral development banks actively promote environmental concerns. The Treasury Department, the agency to which they answer, will be reporting back to Congress on their progress.

Polonoroeste itself took center stage in a House of Representatives hearing last September. Representative James Scheuer (D-New York), head of an agricultural research subcommittee, had found environmentalists' testimony in other hearings deeply disturbing. He scheduled a hearing in

which the agricultural implications of the Polonoroeste case were explored.

The unlikely star of the hearing was Brazilian agronomist José Lutzenberger, a gentle, middle-aged man who had left a job with a chemical company to devote his life to environmental issues. He had helped an English filmmaker, Adrian Cowell, produce a film chronicling Amazon development called *Decade of Destruction*. Following a clip from the film showing a hellish red-gray fog arising from forests burning for profit, he spoke on behalf of Brazilian environmental groups.

He argued that the government's promotion of "green revolution" strategies—high-yield, capital-intensive agriculture—had paved the way for this disaster just as surely as the new road had. It had thrown peasants off good farmland in the south of Brazil, while making the fortunes of a few. Polonoroeste, he charged, has one main objective: to transplant the agricultural poor. "There are at least 2.5 million landless poor in Brazil today," he told the committee, "and the

Polonoroeste project is designed as a safety valve for the political and social pressures caused by them." Worse, he added, "it transfers them from rich soils, in a subtropical climate, which can recuperate relatively quickly, to poor tropical soil where deforestation does permanent damage."

Lutzenberger's testimony bridged the gap between the banks and the rain forests in another way as well. His appearance in Congress made nightly TV news in Brazil. His comments, as well as the film's glimpse of rain forest devastation, reached at least 30 million viewers there. Ironically, Brazilian television had balked at covering the same story, with the same footage, when Lutzenberger had made it available earlier.

The original core group of environmentalists had grown in the meantime. Representatives of 31 organizations—including the National Audubon Society, American Anthropological Association, European and Brazilian environmental and Indian rights groups and political parties in Brazil and West Germany—signed a letter submitted by the Natural Resources Defense Council directly to World Bank President Clausen. The letter cited reasons for immediate environmental action and proposed specific measures the bank could take. It

reached Clausen's office the same day that the New York *Times* carried a story on the Polonoroeste project headlined, "World Bank Urged to Halt Funds for Amazon Development."

But bankers are used to operating behind closed doors, and the World Bank is not accustomed to pressure from outsiders regarding its loans. The letter drew a reply familiar to those who had listened to the bank's 1981 assurance that whatever it contributed to the Polonoroeste project would be better than nothing. A bank official assured the signers in a short paragraph that the bank realized the situation required close attention and that it had met with the Brazilian government. "You can be sure that the bank is continuing to monitor the situation closely, and that your concern will be considered as Polonoroeste continues," it ended.

Senator Kasten was outraged. "It is difficult," he said, "to appropriate money to the World Bank when it has offered a response that is basically insulting to environmental organizations that are its natural supporters." And he followed his words by submitting the substance of the environmentalists' letter to the Secretary of the Treasury, this time asking for a full reply from the bank. He also asked to see key bank documents

explaining the reasons behind the original loan approval.

He is not the only one who is watching the World Bank's future environmental policy closely. The Treasury Department now expects regular reports, and State Department officials concerned with international development have met with environmentalists and Indian rights supporters.

Back in the rain forest, pressure is building. Impoverished settlers and embattled Indians come ever closer to violent conflict, while forests continue to be stripped and burned each day. But now, pressure is building in meeting rooms in the banks as well, where canceling future loan installments to Polonoroeste has become an uncomfortable subject of discussion.

If closer attention is paid to environmental and indigenous peoples' concerns at the outset of such loans, the banks may yet play the positive ecological role that they so long ago assumed as their responsibility. □

Pat Aufderheide is a Washington, D.C., writer who has lived with the Krenakore Indians in Xingu National Park in Brazil's Amazon basin. Bruce Rich is an attorney with the Natural Resources Defense Council in Washington, D.C.

How You Can Help Stop Amazon Deforestation

LAST FALL the House Banking Subcommittee on International Development Institutions and Finance urged a number of actions by multilateral development banks to give greater emphasis to environmental factors in loan decisions affecting developing nations. The Treasury Department agreed to help promote the recommendations through the U.S. executive directors of the banks.

Among steps the banks should take, the subcommittee said, are:

- Increase environmental staffing, including assigning a full-time environmental staff member to each of the World Bank's six regional offices and establishing a central environmental office in the Inter-American Development Bank.

- Involve nongovernmental conservation organizations and indigenous peoples of developing countries in

planning and carrying out projects.

- Actively involve the ministers of environment and health of developing countries in formulating policies.

- Make plans and strategies conform to the 1980 World Conservation Strategy.

- Commit staff and money to carrying out the pledges made in the banks' 1980 Declaration of Environmental Policies and Procedures Relating to Economic Development.

- Refuse to finance projects that will result in use of natural resources at unsustainable levels, threaten species extinctions, degrade protected natural areas or degrade the land and resource base on which indigenous peoples depend.

- Devote more resources to small-scale appropriate technologies instead of giant dams, highways and similar large-scale, capital-intensive projects.

- Cease financing roadbuilding and settlement projects in tropical forests.

To help curb rain-forest destruction in Brazil and other Latin American nations, write to the following urging immediate implementation of the House Banking Subcommittee's environmental recommendations:

**A. W. Clausen, President
World Bank
1818 H Street, N.W.
Washington, DC 20433**

**Antonio Ortiz Mena, President
Inter-American Development Bank
1808 Seventeenth Street, N.W.
Washington, DC 20577**

Also write the U.S. executive directors of the two banks, James B. Burnham, World Bank, and Jose Manuel Casanova, IDB.

OFFICE MEMORANDUM

DATE: February 23, 1984
TO: Mr. A.W. Clausen
FROM: J. William Stanton
EXT: 72173
SUBJECT: Friday Meeting with Environmentalists

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1. I think you should be forewarned that the representatives of these organizations are not necessarily what they seem to be.
2. The meeting was arranged with you under the pretext of their wanting to be of help in the IDA-7 process in Congress. It was only later found out that some of these groups have been quite critical, in the past, of the Bank's handling of environmental issues. Their main complaint seems to be that the Bank is woefully understaffed to handle environmental issues, considering the volume of projects that it operates. In this regard, I think they have an ally in our Jim Lee. He has been most sympathetic to them and is probably considered as a friend by most of them.
3. There is no question in my mind that this is a very influential group. If they have set out to fight IDA-7 because of environmental concerns, we will lose votes in Congress. They have their following in Congress - mostly from the liberal-Democrat wing, and I certainly would want them neutral, or as our supporters, if given an opportunity.
4. The Patterson Committee does not consider them as friends and it is questionable whether they will be testifying in the next week or whether they will be sending just a statement for the record. We have heard that he does not wish to hear them regarding the IDA Authorization because he does not trust them. (This is confidential.) This, of course, is something that we have no control over.
5. They say in their letter of February 15 that they are not satisfied with our response to their questions and are submitting a more detailed response to the sub-Committee. I was wondering why they just don't submit them to the Bank directly and see if we cannot work out most of the concerns before they transmit them to Congress and the general public (see page 2 of their letter to Chairman Patterson). If they are sincere in wanting to be friends of the Bank, I would think they would want to do this. To list their objections to the Bank's response publicly is bound to influence opinions on the Hill that would have supported the Replenishment, before such a negative analysis. They play a very dangerous game and this should be pointed out to them.
6. I understand that Former Senator Joseph Tydings will be at the meeting. His concern has always been "population", and I would be

Mr. Clausen

- 2 -

February 23, 1984

surprized if he does not bring this up. We can say that we had Congressman Jim Scheuer and his international Board of Directors into your office to discuss this subject last Fall.

7. I had planned to attend this meeting until this morning. Senator Danforth called and wondered whether I could attend a luncheon on the Hill at noon tomorrow to discuss IDA with a couple of his colleagues. I figured this had priority.

Attachment

JWS/jv

BRIEFING NOTE

OK
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2/23/84

Visit to Mr. Clausen by Senior Officials
of the
Major Environmental Organizations

Background

1. The major environmental organizations closely monitor the environmental programs and work of the multilateral development institutions especially the World Bank. They have long been a good friend of the Bank, and have lately expressed interest in assisting it with regard to the IDA replenishment. Moreover, they were very much heartened by Mr. Clausen's 1981 address on sustainable development and have given it wide publicity (copy attached).

2. In June 1983 these organizations collectively testified at U.S. Congressional Hearings before the House Sub-committee on International Development Institutions and Finance, on the subject of Environmental Impact of Multilateral Development Bank-funded Projects.

3. In these hearings they were generally complimentary of the Bank's environmental policies and practices, albeit citing numerous areas for innovation and improvement. They were far less kind, however, to other institutions such as the Inter-American Development Bank, the African and Asian Development Banks.

4. They were particularly complimentary of the World Bank's initiative in establishing the Committee of International Development Institutions on the Environment (CIDIE). This Committee, established in 1981, attempts to harmonize the environmental policies and practices of the eleven major multilateral development assistance institutions -- that is, to bring them more in line with those of the World Bank.

5. Those environmental organizations are, however, becoming increasingly concerned that the Bank is doing far less as regards environmental concerns than it could and should in its economic and sector work; in assisting its member countries to fashion national country development strategies that take appropriate cognizance of the environmental and natural resource base that underpins their economic development; and, giving greater in-depth treatment of environmental considerations in its project lending.

6. The organizations' espoused longer term goal has been one of building up a more active constituency for U.S. supported multilateral development assistance among its politically important memberships. In doing so, however, it anticipated that the multilaterals, particularly the World Bank, would give greater attention at the highest management levels to the inseparability of sound environmental/natural resource planning and sustainable economic development.

7. In this connection they collectively found the Bank's response to the questions and admonitions raised in the 1983 hearings to be "... evasive, unconstructive, reactive ..." and, stated that it (the Bank)

"explicitly or implicitly abdicates and denies its responsibility for effectively dealing with environmental matters that are, in our opinion, crucial to development." The testimony was voluminous and exhaustive in its treatment, covering a wide range of issues relating to environment and development, as well as questions relating to specific projects financed by the Bank. Our response addressed the specific questions raised in the testimony as well as providing some limited treatment of the broader issues raised.

8. As a result, they now intend to further express to both the Bank and the U. S. Congress their growing concern about the "... urgency of ongoing environmental deterioration in the developing world." Additional and more extensive hearings are scheduled to be held this Spring on the subject of the environment and the multilateral development banks. Further, they will also be submitting testimony at the hearings to be held on the VII IDA replenishment.

9. In the case of both the environment and IDA hearings, it can be expected that three organizations will push vigorously for conditional language relating to the Bank's consideration of environment and natural resources in its work.

10. Finally, in a letter dated February 15 sent to the Chairman of the Subcommittee responsible for the hearings and copied to Mr. Clausen, nine of the major environmental organizations expressed their concern for the "... gravity of the problem of environmental understaffing" in the Bank. In it they state "... the disparity between the responsibilities the Bank ascribes to its Office of Environmental and Scientific Affairs and its staffing, particularly with respect to critical pre-project review, is so enormous that it could risk undermining the credibility of the Bank as an institution in the eyes of the millions of environmentally conscious Americans who form the memberships of the organizations which testified last June" (and will again testify). However, the facts presented in support of this assertion are not accurate.

What to Expect

11. These organizations with over seven million members (mostly voters) plan to visit with the Bank's President to indicate their willingness to actively support the Seventh IDA replenishment in the Congress.

12. However, they will be seeking assurances from the President that the Bank -

- (a) Will be giving greater operational effect to the concept of sustainable development which the Bank's President has termed a "global imperative."
- (b) Will shortly issue a policy statement to provide direction to Bank staff on the handling of environmental issues in the conduct of the Bank's project, and country economic and sector work. (Note:

An OMS on environment is currently under consideration by senior management.)

- (c) Will be devoting in the next fiscal year additional resources to its Office of Environmental and Scientific Affairs (OESA) by enlarging its staff and budget and giving it greater organizational visibility. (Note: The OESA is presently one of four units in the Projects Policy Department in OPS. It currently has seven positions.)

13. In this connection, it should be pointed out that the U.S. Department of the Treasury has recently established an Environmental Office to monitor and oversee the work of the World Bank. It reportedly will be prepared to instruct the U.S. Executive Director to "vote against any project that does not have, in its judgment, an adequate environmental assessment available for scrutiny prior to the voting;" and, "to vote against any project which failed to meet criteria for ecological sustainability, protection of indigenous people, and conservation of critical natural resources."

Recommendations

To inform the representatives of the major environmental organizations

- (1) that the Bank does, indeed, welcome their support of the seventh IDA replenishment;
- (2) that the Bank further appreciates their public acknowledgement of the leadership displayed by the Bank over the years with regard to its environmental policies and practices;
- (3) that the environmental staff of the Bank will continue to expend its efforts to strengthen environmental work of the Bank through its systematic project reviews, preparation of policy papers and operational guidelines and holding of seminars and training sessions. The staff keep abreast of the emerging global issues in the field of environment and bring key issues to senior management's attention. Post audits of completed projects having environmental components are done. Specifically, we propose
 - (a) to issue shortly a formal policy document (OMS) to Bank staff providing direction and guidance on the handling of environmental issues at all stages of the project cycle, and in country economic and sector work;
 - (b) publish a revised and updated version of the Bank's comprehensive handbook on "The Environment,

Public health, and Human Ecology: Considerations for Economic Development." We also intend to publish the recently developed guidelines on pollution control for small- and medium-scale industries. These publications not only serve to sensitize all Bank staff to the environmental issues to be considered but also serve as reference for the borrowers and public at large;

- (c) in light of the current concerns regarding pesticide contamination and acid rains, guidelines on use of pesticides and sulphur dioxide emissions are being revised;
- (d) OESA is also working on developing policies towards wildlands management, preservation of genetic diversity and environmental aspects of tropical agriculture.

Attachment

JAL/VR:lph
Projects Policy Department
February 23, 1984

→ Anne Krueger --
↳ Loud mouths →

Joseph Tydings

↳ Regional Vice Presidents

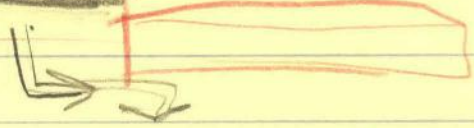
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Ed Martin
Phil Claxton



Concern: Population Crisis Committee
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Senior members of the Board of Directors



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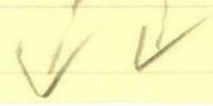
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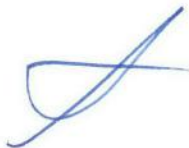
Ambassador Martin

- 1. Various Vice
- 2. Presidents
- 3. | |
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Roy:

Dr. Lee brought one set each for Mr. Clausen
and for you for the meeting tomorrow at 11:30 a.m

A handwritten signature in blue ink, consisting of a stylized, cursive letter that resembles a 'C' or 'R' with a long, sweeping tail extending upwards and to the right.

Dedication to A. W. Clausen

The editors of *The Environmentalist* are honored to dedicate this issue of the journal to A. W. Clausen, President of the World Bank, and through him, the World Bank itself. To many of the less fortunate people of our global society, the World Bank represents a hope that they, or at least their children, will inherit a more just and equitable future.

The place of the World Bank in the development process is significant, and its concern with the environmental implications of development activities is well established. Throughout the late 1960s and 1970s, much attention was given to the 'environmental factor' in World Bank projects as the Bank, and the world as a whole, became increasingly aware that the issues of development and environmental preservation were critically linked. It became evident that agricultural and industrial development, unless carefully conceived and implemented, would contribute to a worsening environmental system. At the same time, however, there was a growing realization that a worsening environmental situation which could not sustain growth, if not corrected, would undermine the entire development effort. As we enter the 1980s, the symbiotic relationship between development and the environment is, and must be, recognized as crucial if we hope to improve the situation of the world's poor and achieve sustainable growth for the coming decades.

A. W. (Tom) Clausen, in helping chart the course that the World Bank will follow in the 1980s, has articulated the connection between development, growth, and respect for the environment. In November 1981, in the Fairfield Osborne Memorial Lecture sponsored by The Conservation Foundation, he stated that "poverty is the worst form of pollution, forcing hundreds of millions of people to abuse their environment to the point of exhaustion just to survive". Elsewhere he stated that in LDC's we are continuously faced with the prospect of "burgeoning populations whose need for food, fuel, and shelter strains the supporting capacities of the local environment". Alleviation of international poverty lies, for Clausen, in achieving sustainable growth in both developing and developed countries alike. Yet, sustainability, he recognizes, can only be brought about by carefully protecting and husbanding



A. W. Clausen, President of the International Bank for Reconstruction and Development (World Bank) and its two affiliates: the International Finance Corporation (IFC) and the International Development Association (IDA).
Courtesy: Fabian Bachrach.

the biological underpinnings of the global economic system.

Clausen is aware of the complexity of the problem that he, as head of a major development agency, confronts. He is also aware of the inherent complexities of the solutions. Clausen is, however, a man of decided optimism, who views the future of the development effort as a 'plus-sum' game one which benefits all, one in which no-one has to lose.

In striving to bring about that 'plus-sum' situation, Clausen hopes to rely heavily during his tenure at the World Bank on the increased involvement of the private sector in the development effort. Clausen, who has spent his life in the private sector, comments "the private sector is what I know best and what I called home for 31 years".

The ex-president of Bank of America brings with him to the IBRD the experience and pragmatism of a long career in banking and intends

to utilize that experience to the fullest. Investment in the developing world is, for Clausen, the linchpin of development in the 1980s. The vast majority of investment flows to the LDC's already hail from the private sector, and Clausen hopes to encourage joint ventures by the Bank and the private sector to direct investment where it is most needed in order to advance the development process. As he puts it, "I know what sound, high priority, carefully managed investment can do to transform an economy."

Mr Clausen believes in the interdependence and mutual respect among nations, one which emphasizes growth in both developing and developed countries. For Clausen, the Bank's role in this developmental process is catalytic, aimed at stimulating growth and investment while allowing nations to help themselves toward increased productivity and a more active participation in the international economic system.

While Clausen is concerned with the serious threat of environmental problems attendant on the development process, he is also concerned with the threat to investment arising out of the failure of the environment to sustain it. Environmental and resource degradation, according to Clausen, are shrinking the world's economic resource base and causing the "erosion of hard-won economic gains through the deterioration of the essential biological support systems". Investment, then, feels Clausen, must be protected by ameliorating and actively enhancing the environment in which it will both operate and eventually flourish. With increased investment and economic growth the prospects for protection of the environment are much greater as more money and effort will be channeled toward the environmental cause.

As Clausen perceives it, "development must go forward, but not on patterns of the past". As we start a new decade, the situation has changed. In order to face up to the problems and challenges of the 1980s, a new mode of thinking is necessary. "The perception (of the international economic system), whatever its value, that may have been able to help us to understand the global economy a decade or so ago, has now reached the point of diminishing returns." He goes on, "A qualitatively different world requires qualitatively different instruments of economic management."

The shift in emphasis by the Bank represents quite well Clausen's perception of both the institution and the economic system as

fundamentally 'organic', as living and dynamic entities in a complex environment. An institution, like an organism, he feels, must adapt or lose all relevance and hope for survival.

Clausen's approach is, above all, a dynamic and creative one, one which responds, to 'changing economic realities'. "We must make use of organic trends in the world economy such as the rapid development in trade, the explosion in agriculture" and "we must understand economic dynamics in order to provide appropriate solutions and understand how we are to fulfill our mission as a catalyst... We are a part of the external dynamics of the system."

To assume the responsibility of steering the course of the World Bank, and therein affecting the global development process as a whole, is a sizeable challenge, but one which Clausen finds 'intriguing' and one which he is eager to accept. "It is the most exciting job I could conceive of that I was possibly prepared for. It deals with a very important objective, advancing the social welfare of 2¼ billion people... The next few years", adds Clausen, "will be difficult—but fabulously challenging—to try to bring the experience that I have to bear on something which I have always felt is very important."

Tom Clausen's concerns are global, his vision wide. We can only hope that his vision, as he takes charge of the World Bank, will go far toward eradicating one of the world's most invidious pollutants of both the quality of the environment and of the quality of life: *poverty*. And we can only hope that in the course of this decade, that developmental and environmental concerns will, increasingly, be both mutually reinforcing and mutually beneficial.

The editors of *The Environmentalist* wish to pay tribute to both Mr Clausen and the World Bank through whose efforts we may one day see an eradication of poverty and an improvement in the overall standard of living for all peoples throughout the world.

A. W. (Tom) Clausen became President of the World Bank on July 1, 1981. The World Bank consists of three affiliated institutions—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). It is owned and governed by 141 member nations.

Mr Clausen came to The World Bank after serving 32 years with Bank of America and Bank America Corporation, the last 11 years as President and Chief Executive-Officer of both institutions. Bank of America is the largest commercial bank in the world with branches and subsidiaries in more than 100 countries.

Born in Hamilton, Illinois on February 17, 1923, Mr Clausen graduated from Carthage College (Kenosha, Wisconsin) in 1944 and received his LL.B. from the University

of Minnesota in 1949. He is a graduate of the 50th Advanced Management Program of the Harvard Business School (Fall, 1966).

Mr Clausen joined Bank of America in Los Angeles in 1949. He was appointed a Vice-President in Los Angeles headquarters in 1961. Subsequently, he was assigned to the world headquarters of the bank and its parent corporation in San Francisco where he was appointed Senior Vice-President in 1965, Executive Vice-President in 1967 and Vice Chairman of the Board in 1969. He became President and Chief Executive Officer on January 1, 1970.

Mr Clausen is a member of the Business Council, a trustee of The Brookings Institution, and a member of the California Bar Association. He is a trustee of Carthage College, a Director of the Associates of the Harvard Business School, and a member of the Stanford Graduate School of Business Advisory Council and the SRI International Advisory Council. In the business community, Mr Clausen has served as a Director of Standard Oil Company of California, as a member of the Policy Committee of the Business Roundtable, and as Vice Chairman of the California Roundtable and SRI International. He has also served as a Director and as a member of the Executive Committees of the US-USSR Trade and

Economic Council and the National Council for United States-China Trade, and as a member of the Japan-US Economic Relations Group. He is a past President and an Honorary Member of the International Monetary Conference. He is also past President of the Federal Reserve Board Advisory Council and past Vice-President of the Association of Reserve City Bankers.

He has received honorary Doctor of Law degrees from Carthage College, Lewis and Clark College, Gonzaga University, University of Notre-Dame, and Doctor of Public Services from the University of Santa Clara; the 1971 Outstanding Achievement Award of the University of Minnesota; the 1972 Alumni Achievement Award from the Harvard Business School Association; the 1977 International Achievement Award of the World Trade Club of San Francisco; the 1978 California Industrialist of the Year Award; the 1978 Harvard Business Statesman Award (Northern California); and the 1981 Capt. Robert Dollar Memorial Award of the National Foreign Trade Council Inc.

Mr Clausen is married to the former Mary Margaret (Peggy) Crassweller. They have two children: Eric David and Mark Winship. The Clausens maintain their residence in Washington, D.C.

The World Bank and the World Environment

The World Bank is a group of three institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC).

The common objective of these institutions is to help raise standards of living in developing countries by channeling financial resources from developed countries to the developing world.

BACKGROUND

The Bank (IBRD) was established in December 1945, and makes loans at a rate which is calculated in accordance with a formula related to its costs of borrowing. The Bank's charter spells out certain basic rules which govern its operations. It must lend only for productive purposes, and pay due regard to the prospects of repayment. Each loan is made to a government or must be guaranteed by the government concerned. The use of loans cannot be restricted to purchases in any particular member country. And, the Bank's decisions to lend must be based only on economic considerations.

The International Development Association (IDA) was established in 1960 to provide assistance for the same purposes as the Bank, but on terms that would bear less heavily on

the balance of payments of the borrowing countries. Though legally and financially distinct from the Bank, IDA is administered by the same staff. IDA's assistance is concentrated on countries which are very poor—mainly those with an annual per capita gross national product of less than US\$250. More than 50 countries are eligible under this criterion. They include more than 80% of the population of the more than 125 countries that are current borrowers from the Bank, IDA, or both. About 74% of the people living in IDA-eligible countries live in Asia, 14% in Africa south of the Sahara, 9.5% in the Middle East and North Africa, and 2.5% in Latin America and the Caribbean area.

TYPES OF PROJECTS

While the Bank has traditionally financed all kinds of infrastructure facilities such as roads, railways, and power facilities, its development strategy over the past several years has expanded to include investments which directly affect the well-being of the masses of poor people of developing countries by making them more productive and by including them as active participants in the development process. This strategy is increasingly evident in the rural development, agriculture, health, population, nutrition and

education projects which the Bank and IDA help finance. The same strategy is also being carried out for the benefit of the urban poor in projects designed to develop water and sewerage facilities as well as 'core' low-cost housing, and to increase the productivity of small industries.

BANK LENDING

In recent years the three institutions have increased their lending very substantially. In 1981, new financial commitments totalled approximately US\$13 billion.

The Bank and IDA lend more than US\$12 billion a year to help raise the standard of living in developing countries. This constitutes more than one-fourth of the total from all official sources outside the developing countries themselves.

The International Finance Corporation (IFC) has the same purpose, but its role is more specialized; helping to stimulate growth in the private sector, particularly industry. Its investments in 1981 totaled US\$811 million. Fifty-six IFC investments were approved in 34 countries.

The role of the World Bank in the international development effort, and the scale of its operations, are further illustrated by the fact that at the end of FY1981 it was supervising the completion of close to 2,000 projects in over 120 developing countries—projects representing a total investment in excess of US\$100 billion.

The funds are helping to support a wide variety of projects, large and small, public and private, chiefly in the fields of agriculture and rural development, urban development, education, energy, health care, transportation, population planning, telecommunications, water supply and sewerage, and industry.

The Bank has over the years committed itself to helping its member developing countries with their many intractable development problems, including, among others, questions of income distribution, rural and urban poverty, unemployment, energy scarcities, excessive population growth, rapid urbanization, health care and, of late, environmental protection and rehabilitation.

Although legally and financially distinct, the Bank, IDA and IFC are a closely integrated unit. Using funds from different sources and lending on different terms and arrangements, they have become a highly

flexible instrument for giving both financial and technical assistance to developing member countries at virtually all stages of economic and social growth. Together they constitute a true development institution.*

THE ENVIRONMENT AND THE WORLD BANK

The World Bank has been a pioneer in working toward development that seeks to be protective of the environment, the public's health and social well-being. The environmental programs and undertakings of the Bank embrace a spectrum of activities which cluster around the principal mandate and task of reviewing and evaluating every investment project from the standpoint of its potential effects on the environment; and, providing for such measures as will prevent or mitigate seriously harmful effects, including those involving public and occupational health, and acculturation. As the world's principal development finance institution, the Bank's leadership in matters of environment and development has been instrumental in securing the interest and cooperation of its member countries and the other development assistance organizations. Its corpus of experience has shown that environmental and developmental objectives can be pursued in mutual support and, in fact, that they are interdependent; and, it has given a proven operational context to that complex relationship.

OFFICE OF ENVIRONMENTAL AFFAIRS

Commencing early in the 1970s, responsibility for guiding and developing the Bank's environmental activities was placed in an Office of Environmental Affairs. This Office serves as the focal point for an increasing array of activities designed to facilitate environmentally sound development.

In addition to overseeing the environmental and closely related health and socio-cultural dimensions of the projects financed

*Editorial Note: A fuller account of the Bank, its background, policies, operations, borrowings and finance, may be found in its Annual Report for 1981, and in the address by the Bank's President, Mr A. W. Clausen, to its Board of Governors in September 1981, in Washington. Copies of these documents and others are available from the Bank's headquarters in Washington.

by the Bank, it serves to promote and identify 'environmental' projects whose major purpose and objectives are the management, protection, rehabilitation or enhancement of natural and urban environments.

Technical assistance is provided to member countries and organizations on a wide array of environmental matters, while related information in the form of handbooks, guidelines, standards, and criteria is widely distributed in several languages.

Training for Bank staff and officials of member developing countries and development assistance institutions is provided, and public affairs and media-related activities focusing on the environment conducted.

Liaison and cooperative undertakings with organizations and institutions in the environmental community, including the UN family, its United Nations Environment Programme (UNEP), and a host of non-governmental organizations is vigorously pursued.

CONDUCTING ENVIRONMENTAL EVALUATIONS

Experience in environmental evaluations within the Bank has given rise to a series of operations which are now being followed for each project believed to have significant environmental/health/human ecologic impacts.

In brief these include:

- Inhouse study of the proposed project utilizing the Bank's technical staff.
- On-site 'environmental reconnaissance' to determine the likely impact of the project; the problems, if any, likely to result; recommendations for preventing or mitigating such problems; or recommendations for in-depth studies of particular environmental responses.
- In-depth studies are the subject of multi-disciplinary investigations conducted under terms of reference carefully tailored to the conditions and requirements surrounding the particular project, or component thereof.
- Projects of such a nature that their environmental impacts are of unique importance to a regional or global audience, and wherein singularly unique and important environmental values are involved must, of necessity, be the object of comprehensive and detailed studies to determine how or

even if the project can proceed with Bank assistance.

- Projects for which environmental safeguards or controls are to be included are examined during the construction and pre-operation stages to determine their adequacy and sufficiency in light of any changes which may have occurred subsequent to final appraisal.
- Projects in operation are examined periodically to determine the continuing adequacy of environmental safeguards, and the need, if any, for new or improved measures.
- Projects involving important ecological systems are subjected to 'environmental post-audits' at appropriate points in their implementation to determine the accuracy of the pre-project impact assessment, and the actual consequences for such systems.

COST/BENEFIT ANALYSES

In each and every project subjected to one or more of the steps just cited, the environmental safeguards which may be indicated are the object of cost/benefit analysis. Efforts are continuing, particularly within UNEP, to develop a more suitable methodology for identifying the externalities, social and opportunity costs, and benefits to be anticipated. The difficulties experienced in this regard are many, and must be the subject of increased research and testing.

FINANCING ENVIRONMENTAL STUDIES

The environmental studies seen as being requisite to financing a project are, in most instances, financed by the borrowing entity, in much the same manner as other aspects of project preparation, such as engineering, geology, marketing, etc. In some cases involving poor countries, the Bank may finance the required studies. Increasingly, the borrowing entity is encouraged to make the necessary studies, while the Bank reserves the right to approve the terms of reference and the qualifications of those employed in their conduct. The Bank does assist, where appropriate, in preparing the terms of reference and in defining the disciplines to be used in the studies. In some instances, the Bank will conduct the required studies being financed

by the borrower. In any event, findings of environmental studies are shared jointly with the borrower, member country government, and the Bank.

Thus, while no formal 'impact statement' on the environmental consequences of a development project is strictly required, the Bank does require that major adverse effects be avoided or mitigated and, as indicated, has established systematic procedures for accomplishing this. To date, all projects requiring environmental/health/socio-cultural safeguard measures have been successfully negotiated with the borrower and member country government.

It should be pointed out that with the Bank actively into the energy sector, it has been necessary to provide guidance on such new endeavors for it as offshore oil and gas exploration and production, and oil shale schemes.

THE GLOBAL ENVIRONMENTAL FUTURE AND THE WORLD BANK

The present state of global affairs is seriously threatened by the vast and growing disparities between developed and developing countries, and within developing countries themselves. Such disparities between overconsumption and deprivation constitute a great danger, as the former seek to retain their relative affluence while the latter embrace the promise of rising expectations, with both experiencing the progressively harmful consequences of environmental degradation, resource depletion, and the demise of essential life-supporting ecological systems.

It is against this background that the World Bank's environmental posture, its policy and practices are firmly anchored in the growing global imperative to provide for sustainable development in the face of a world becoming more crowded, more polluted, less stable ecologically, and more vulnerable to the disruptive effects of social unrest.

In 1980, the major multilateral development assistance agencies joined the Bank and the United Nations Environment Programme in formulating and signing a Declaration of Environmental Policies and Procedures Relating to Economic Development. In it, these institutions pledge to incorporate sound environmental measures in the development projects they finance or assist, and to foster development in their member countries that

is promising of being sustainable. The major bilateral aid agencies are presently giving similar attention to harmonizing their own environmental responsibilities and improving their performance in this regard.

The Bank certainly cannot claim that its efforts have markedly slowed, let alone halted, the process of environmental deterioration and depletion of the natural resource base in any or all of its member countries. While it is appropriate for the Bank to concentrate its efforts on projects it finances, this in itself does not ensure that effective action is taken on a broader front. The Bank's development efforts are relatively modest when compared to the scale of most national development efforts including other sources of external investment, both official and private. The Bank must, therefore, continue to make every effort to influence other institutions and governments to ensure proper consideration of the environmental dimension. The developing countries look increasingly to the Bank to provide guidance on ways to achieve the necessary balance between urgently needed development and the requirements of the environment for sustaining that development.

FUTURE OF ENVIRONMENT IN THE WORLD BANK

Although the Bank will continue its project-by-project approach—adapting environmental protection measures and standards to the individual project and country—it will also increase its concern with national and regional development policies that emphasize the stabilizing role of diversity. In light of these policies, it is most important to weigh carefully the relative desirability of large projects vs. small; centralized vs. decentralized power production; growth vs. conservation; sophisticated vs. 'appropriate' technology; economic interdependence vs. self-sufficiency; and urbanization vs. village societies.

Thus, to effect flood control, construction of a number of small dams on tributaries may, in fact, be more appropriate than building a large mainstream dam that displaces people and destroys arable land. Or, multiple cottage industries that employ people with minimal skills may prove preferable to a large urban steel mill dependent mainly on highly skilled workers. Sometimes, of course, bigger is bet-

ter; but at other times the reverse is true. In any event, the intention of the Bank is that this approach to master planning will stress environmental as well as economic goals.

Increasing emphasis will also be placed on Bank lending for environmental projects such as reforestation, wildlife management, urban rehabilitation, and control of air and water pollution, floods, soil erosion, desertification, and vectors of diseases.

Future screening of projects will give greater consideration to preserving or establishing buffer zones—forest greenbelts, wetlands or grasslands, and terraced fields—that provide a low-cost, natural or semi-natural 'tertiary treatment' for treated wastes and runoff.

Perhaps a not unforeseen but nonetheless vexatious problem is that of borrowers seeking funds from sources less demanding in environmental matters than the Bank. Here the danger is that, under the guise of accommodation, requirements and standards may be relaxed to the point where they are practically meaningless. In the short run, this procedure is perhaps cheaper; in the long run, it is obviously more expensive. The Bank, therefore, will continue, in cooperation with the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP), its attempts to persuade other lending institutions, public and private, of the wisdom of strengthening their approach to the environmental implications of development.

Because some environmental problems may not surface for many years after project completion, the Bank expects also to conduct more 'environmental post-audits' to determine the accuracy of ecological predictions, the efficacy of control measures, and the adequacy of project supervision. Such environmental 'autopsies' should provide valuable information that will affect the Bank's future work in this field.

In addition:

1. The Bank is moving to narrow the energy gap in certain developing countries by substantially expanding its loans for oil and natural gas ventures. These fuel exploration and development activities will require as much as \$1,500 million in Bank commitments by fiscal 1983. Increased activity in

this field will require the Bank to develop a new environmental expertise, as well as specific sectoral guidelines for national energy master plans.

2. In collaboration with other institutions, the Bank will move decisively to provide its staff members and officials of developing countries with an expanded education and training program aimed at enhancing sensitivity to environmental concerns. The Bank and UNEP are jointly developing a wide range of environmental workshops, short courses, and seminars to be incorporated in the curriculum of the Economic Development Institute, the World Bank 'staff college' that trains officials of developing countries in the techniques of development.

3. Efforts are also being made to extend the Bank's environmental expertise to the development lending operations of the Bank's borrowing development finance companies (DFCs), whose main clients are medium-sized and small industries whose pollution levels are often excessively high.

4. Liaison and cooperation with private, governmental, nongovernmental (NGO), and international organizations will be intensified. Most relevant of these to the Bank's environmental activities is UNEP, with which the Bank has worked closely on such major endeavors as the Habitat Conference (Vancouver, 1975); the Water Conference (Mar del Plata, 1976); and the Desertification Conference (Nairobi, 1977). Other agencies with which the Bank regularly cooperates are the UN Economic, Social and Cultural Organization, the International Labour Organization, the Inter-Governmental Maritime Consultative Organization, the UN Industrial Development Organization, and the UN Institute for Training and Research.

These, then, are some of the general and specific measures that the Bank intends to implement and intensify in the years ahead. Whatever the value of its environmental record thus far—and there have, of course, been minuses as well as plusses—the experience gained to date suggests that the World Bank can be expected to continue to play an increasingly fruitful role in helping retard the deterioration of the environment and in improving the public's health and social well-being.

SUSTAINABLE DEVELOPMENT: THE GLOBAL IMPERATIVE

The Fairfield Osborn Memorial Lecture

by

A. W. Clausen, President

The World Bank

Washington, D.C.

November 12, 1981

Good evening, ladies and gentlemen. And thank you, Mr. Reilly.

I am honored to deliver this year's Fairfield Osborn Memorial Lecture in Environmental Science. I believe I'm the first banker ever to be selected for this honor, which has traditionally been accorded to distinguished conservationists.

Fairfield Osborn himself, however, was a businessman -- an investment broker, who was concerned both about short-term economic development and also about its long-term sustainability.

As founder and then president of the Conservation Foundation, a cosponsor of this memorial lecture, Osborn worked until his death in 1969 to arouse the concern of people everywhere to the "...accumulated velocity with which (man) is destroying his own life sources."

In his book, Our Plundered Planet, which appeared in 1948, Osborn wrote:

"We are rushing forward unthinkingly through days of incredible accomplishment...and we have forgotten the earth, forgotten it in the sense that we are failing to regard it as the source of our life."

Fairfield Osborn insisted that the only kind of development that makes sense is development that can be sustained.

Beginning, then, from this basic premise, I'll make three main points tonight:

- first, that if our goal is sustainable development, our perspective must be global;
- second, that human development must allow for continued economic growth, especially in the Third World, if it is to be sustainable; and
- third, that sustainable development requires vigorous attention to resource management and the environment.

* * *

My first main point is that if our goal is sustainable development, then our perspective must be global.

The conservation movement began in the industrial countries. But the industrial countries are linked together with the developing countries -- more than is usually recognized.

In other fora, I've made the point that the industrial countries are linked to the developing countries economically. But they are also linked environmentally.

This is obvious in the case of energy. The prospect of running down fossil fuel reserves has become a major world issue, with certain Third World countries crucial in deciding its outcome.

Other mineral resources are finite, too. And, again developing countries -- as major suppliers of many of the key minerals used by industrial countries -- will have a say in determining how these resources are managed.

Sustainable population growth is a fundamental environmental concern. By the year 2000, the world's population is likely to exceed 6 billion, with nearly 5 billion people just in the developing countries and over half of them crowded into cities.

Many of the environmental problems we tend to associate with industrial countries are also prevalent in developing countries. Urban air pollution, for example, is often worse in countries that can't yet afford even minimal controls.

But some environmental problems of world interest are concentrated in the developing countries -- deforestation,

for example. Primarily because of the growing need for firewood, Third World forests are being cut down ten times faster than new ones are being planted. As a result, planet earth has lost about a quarter of its closed-canopy forests over the last 20 years.

The developing world also has soil problems. Deforestation has contributed to severe erosion in some parts of the developing world. In tropical areas, soils tend to be especially fragile and can quickly be rendered almost useless by improper agricultural practices.

Environmental spoilation is an international cancer. It respects no boundaries. It erodes hard-won economic gains and thus the hopes of the poor.

Finally, sound development worldwide contributes to peace. And the world's conservation, in the most literal sense, may depend on peace.

In the early 1970s, when environmental concerns were approaching a peak in the industrial countries, these same concerns were met with considerable skepticism in the Third World.

Intense aspirations for development are widespread in the Third World. In many nations, economic growth is a matter of life or death for thousands of people on the margin of subsistence. Third World leaders were concerned that environmental measures not keep their peoples from fully realizing the benefits of economic growth.

Since the industrial countries consume most of the world's natural resources, concern in the rich countries about population growth in poorer countries seemed misplaced -- even sinister -- to some leaders in the developing countries.

Nevertheless, many of the world's environmental problems increasingly depend on Third World cooperation for their solution. Success on the environmental front must involve the cooperation of all sectors of the international community.

Over the last decade, the World Bank has supported the goal of achieving sustainable development on a global scale. Owned by 141 member nations, the Bank lends to Third World countries in support of their long-term development objectives. It is entirely appropriate that we not only continue but expand our efforts to insure that improvements achieved in human living conditions today are improvements that can last until we reach the tomorrows.

My second main point this evening -- that to be sustainable human development must also include economic growth -- follows from the global perspective on environmental concerns.

Even in wealthy countries, environmental protection has, to some extent, been crowded aside by priority attention to economic difficulties. Yet the world's recent economic troubles have also been particularly severe for developing countries -- and the need for economic growth in these countries is overwhelmingly compelling.

Third World leaders are absolutely right to point out that poverty is the very worst pollution that faces us on earth today.

Only about a quarter of the people who live in developing countries, for example, have access to clean water.

In the Third World, disease typically takes up a tenth of a person's potentially productive time. Disease causes suffering, dampens initiative, disrupts education, and stunts physical and mental development.

Poverty also puts severe -- and often irreversible -- strains on the natural environment. At survival levels, people are sometimes compelled to exploit their environment too intensively. Poverty has often resulted in long years of mismanagement of our natural resources, evidencing itself in overgrazing, erosion, denuded forests, and surface water pollution.

Our experience at the World Bank seems to indicate that it's much easier to deal with the negative environmental effects of development than with the negative environmental effects of pervasive and persistent poverty.

The developing regions of the world aren't all characterized by severe poverty, of course. But aspirations for a better life -- i.e., more schooling, economic opportunity, and freedom of choice -- are also powerful among the middle-income countries. In fact, aspirations for economic growth may be strongest in countries at moderate levels of income -- i.e., those countries which have enjoyed some growth over the last generation.

These hopes and aspirations are legitimate. They won't be easily denied -- nor should they be denied.

I'm encouraged that environmental concerns in Third World countries have become much more widespread over the last decade.

According to the World Environment Center, 102 developing countries now have environmental ministries or similar top-level agencies. That compares to only eleven countries in 1972, the year of the now historic United Nations Conference on the Human Environment.

You'll be interested to learn that the People's Republic of China recently established an Office of Environmental Protection. Brazil's Ministry for the Environment, established in 1972 with 3 people, now has a staff of 200. Indonesia set up an environmental ministry in 1978, to deal with its enormous problems of water supply, deforestation, erosion, and industrial pollution, and to oversee the environmental implications of its development activities.

Two notable examples of countries that now consider environmental impacts much more carefully in the process of industrialization are Kuwait and Nigeria. Venezuela, too, has made much progress in recent years, in its awareness of environmental issues and the need to take corrective and preventive measures.

It isn't that Third World countries are better able to afford environmental protection than they were ten years ago. They continue to be hard-pressed by slow growth, high energy prices, and high interest rates.

But there is increasing awareness that environmental precautions are essential for continued economic development over the long run.

Conservation, in its broadest sense, is not a luxury for people rich enough to vacation in scenic parks. It is not just a "motherhood issue."

Rather, the goal of economic growth itself dictates a serious and abiding concern for resource management. Lower income countries also -- perhaps especially -- need to think beyond the next few years.

Agriculture is the major source of income and growth in most developing countries. That's why agriculture and rural development is one of the top priorities at the World Bank. And continued agricultural productivity certainly requires protection of the natural environment.

In Africa, for example, rainfed agriculture will necessarily be the main source of increasing production for the foreseeable future. Yet the long-term potential for agriculture is being diminished -- in some countries seriously -- by overintensified cultivation and overgrazing.

In the industrial countries, we are accustomed to an adversary relationship between the goals of economic growth and environmental protection. But in the poorer developing countries, continued growth more often depends on environmental stewardship, and, conversely, a better environment more often than not depends on continued economic growth.

And so the point is that, in the Third World context, the twin goals of development and sustainability can be allied -- and must be allied. Thus, our vision of a sustainable world must realistically include economic growth, especially for those peoples who haven't yet participated appreciably in the benefits of economic growth.

* * *

This brings me to my third main point -- the point I most want to stress tonight: that, in order to be sustainable, development must include vigorous and studied attention to resource management.

I want to talk about two different types of resource management -- actions to mitigate negative side-effects of development on the one hand, and positive actions to enhance the environment on the other.

Allow me, first, to review our experience at the Bank in taking precautionary measures against the negative side-effects of development.

The Bank is well-known for the thoroughness of its project preparation. And, for a decade now, the Bank has required, as part of project evaluation, that every project it finances be reviewed by a special environmental unit.

As a matter of policy, we won't finance a project that seriously compromises public health or safety; that causes severe or irreversible environmental deterioration; that displaces people without adequate provision for resettlement; or that has transnational environmental implications which are importantly negative.

Our environmental experts have reviewed more than 2,000 projects and programs in developing countries since 1970.

We've found that the cost of paying attention to environmental concerns has been much lower than many people expected when this procedure was first established. Nearly two-thirds of the projects reviewed have raised no serious health or environmental questions, and I'm pleased to say that it has been possible to incorporate adequate protective measures in all the projects we have financed during the past decade.

The cost of these environmental and health measures has proved not to place an unacceptable burden on our borrowing countries. And we've learned, as have many private corporations, that the cost tends to be lower the earlier that environmental problems are identified and handled.

We're convinced that it's almost always less expensive to incorporate the environmental dimensions into project planning than to ignore them and pay the penalties at some future time.

It costs a lot less, for instance, to protect the forested watershed above a new dam than to deal with a silted reservoir after it's been built. Similarly, the benefits of an irrigation project can be diminished if, for lack of proper planning, it leads to an increase of schistosomiasis.

We're financing an increasing number of projects to rectify undesirable side-effects of past development. We are working with the Mexican authorities, for instance, on various environmental problems, including air and water pollution in Mexico City. In Kenya, we're financing a wildlife management project. We're also involved in helping Nepal deal with its dramatic problems of deforestation and soil erosion.

In the Sahel region, we've financed a series of projects designed to halt the expansion of the desert and, more recently, to also reclaim desertified land by providing shelter belts of restored forest cover.

On the basis of the Bank's experience in trying to anticipate environmental problems associated with development, we've published extensive checklists, handbooks, and guides for different types of projects -- to help Bank staff and

planners around the world think through all the identifiable effects of development projects.

But in addition to telling you about some of the protective and corrective efforts, which are being made in Third World countries, I also want to speak about positive efforts to enhance the environment. Although environmentalism tends to be identified with precautions in development, I believe that some of the most effective environmental efforts are those that achieve development and sustainability at the same time.

Let me briefly describe three sectors where the goals of economic development and environmental enhancement coincide.

Improving systems of water supply and waste removal is one obvious area in which we can enhance the environment through development.

Our lending programs in water supply and waste disposal have increased from an annual average of \$300 million in the mid-1970s to more than \$700 million currently.

We are emphasizing economical technologies (such as standpipes or hand pumps for water, and septic tanks or latrines for sanitation), since they cost a fifth to a tenth as much as piped systems -- and thus make it possible to improve the living environment of more families given the constraints of limited government budgets.

Rapid urbanization is going to continue throughout the developing world, even if vigorous rural development and population policies are adopted. We expect that the urban population of the Third World will continue to grow about twice as fast as the rural population over the next 20 years. And growing cities, if not properly managed, pose special environmental problems -- especially water and waste disposal problems among the poor.

So we also have an active program of investment in urban infrastructure. Our purpose is not simply to help public authorities cope with current urban growth, but rather to introduce appropriate technologies -- and to develop institutions that are better able to cope, on a continuous basis, with burgeoning city growth in the Third World.

A second sector where environment and development directly interface is energy. This area, along with agriculture and rural development, demands the highest priority among the many activities of the Bank.

In addition to rapidly expanding our lending to accelerate the development of hydro and fossil fuel resources, the World Bank is also encouraging energy conservation and the development of renewable energy sources.

Energy conservation has become a major theme in our dialogue with borrowing governments about their development strategies, because energy imports now represent a heavy financial burden for those developing countries which are not sufficiently self-reliant for their own growing energy requirements.

With regard to renewable energy sources, we attach high priority to forestry.

While rising oil prices have captured the headlines, for almost half the world's population energy problems take the form of a daily search for firewood with which to cook.

The World Bank has embarked on a vigorous expansion of its forestry program. Our average annual lending for forestry projects over the last four years has been six times what it was in the previous four years.

Two of our successful forestry projects (one in Korea and another in India) supported programs which emphasized public education to encourage tree-planting.

In Burundi -- where deforestation around the capital city has forced many low-income families to spend 40% of their incomes on firewood and fuel -- the Bank has financed a promising program to introduce improved cooking stoves. Traditional stoves waste as much as 90% of the heat they generate, and open fires are even less efficient.

In addition to our concern about forestry and firewood, the Bank has also been exploring new ways that developing countries can increase the amount of energy they get from other renewable sources: through the production of alcohol, for example, or -- over the longer-term -- by taking advantage of the abundance of sunshine with which much of the developing world is blessed.

The developing countries already depend on traditional biological sources for a quarter of their energy requirements. And we think they can substitute renewable sources for another five to fifteen percent of their energy needs before the end of this century.

Finally, a third area, in addition to water supply and waste removal and energy, where the goals of economic development and environmental protection coincide is population planning.

We now know that, although family planning programs help, the most effective way to moderate population growth is to alleviate poverty and to provide improved health care.

Population growth rates in the Third World began to drop in the mid-1960s. Birth rates have declined at least 10% in the world's two most populous countries, China and India. Birth rates have also declined in Indonesia, Turkey, and in most of the middle-income countries of Latin America and East Asia.

Quantitative analysis suggests that social and economic improvements (such as higher incomes, literacy and life expectancy) accounted for as much as 60% of the variation in fertility among developing countries from 1960 to 1977. The strength of family planning programs explained an additional 15%.

The World Bank remains committed to supporting development efforts that assist the poor to become more economically productive. We continue to invest significantly in rural development, education, health, and family planning.

One of the dividends of this whole range of investment -- beyond the benefits to the families who are helped directly -- will be a more rapid shift to a sustainable pattern of global population growth.

Well, ladies and gentlemen, these are just a few examples of development which obviously contributes to long-term sustainability as well as to short-term benefits. But, as a matter of fact, we think that all development can enhance the conditions in which we live.

When we finance agricultural development, measures are taken both to develop existing resources and also to protect those resources for the future. When we invest in industry,

given proper precautions, increased production means higher incomes which workers can use to improve the quality of their environment and the lives of their families.

Our mandate is economic development, and development, of necessity, involves changing the natural and social environments. But with due attention to resource management, all economic development should, on balance, improve people's environment, in the broad sense of the word. That is, after all, the fundamental purpose of development.

* * *

Fairfield Osborn was a great admirer of Theodore Roosevelt. A generation before Osborn, during a formative period of economic development in the United States, President Roosevelt argued that conservation was essential to the long-term economic growth of this country. He said:

"The Nation behaves well if it treats the natural resources as assets which it must turn over to the next generation ... Conservation means development as much as it does protection."

Today our perspective must be global, and our concern for the environment must be even more urgent than in Roosevelt's time. And his words are still true. That concern is an essential ingredient of development.

The international development community must face that fact with realism and sensitivity.

And I ask you who are ardent defenders of the environment to join efforts with those of us who are trying to assist the developing countries accelerate their economic growth and improve the quality of life of their societies.

All of us in this room -- and all around the world who identify themselves primarily either with the international development community, or with the international conservation movement -- ought to be more partners than partisans.

For sustainable development, and wise conservation are, in the end, mutually reinforcing -- and absolutely inseparable -- goals.

Thank you very much.

April 27, 1984

The Honorable
James H. Scheuer
U.S. House of Representatives
2402 Rayburn House Office Building
Washington, D.C. 20515

Dear Jim:

Sorry to be getting back to you so late, but as you can appreciate, some of the necessary decisions are not made by me personally.

Bank personnel thought your idea of dividing the meetings was a very good one. In fact, they said to schedule just the one meeting and, at that meeting, to discuss subsequent actions. This also seemed to make sense.

The Bank officials had a further suggestion for the first meeting. In addition to Ernie Stern and John North, they recommended having Shahid Hussain also attend. He is the Vice President of the Operations Policy Staff and really has overall responsibility for the subject of Population - he is John North's superior.

Ernie Stern felt that this was very valuable because if he, Ernie, was unable to attend all the meeting, he wanted Shahid to hear everything first-hand. Second, the Bank felt that, while they were extremely impressed with your suggestion of personal hospitality, it might be better to schedule a working lunch here at the Bank. This would facilitate things because it is extremely difficult to get three people of this calibre together for one night. I am sure that you can appreciate this.

Please have your secretary call Joy to schedule this. I am sure we can find a noon to suit all. I hope this meets with your approval?

Best personal regards,

Bill Stanton

ROUTING SLIP		DATE:
NAME		ROOM NO.
Roy Southworth		
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APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
I did this for Jim Lee. Thought you might like a copy.		
FROM:	ROOM NO.:	EXTENSION:
Judith		

Mr. Clausen's Meeting with Representatives
of Environmental and Population Groups

Participants

World Bank

A. W. Clausen, President
Roy Southworth, EXC
V. Rajagopalan, PPDDR
James Lee, PPDES
Judith Maguire, IPAPAD

Others

Tom Stoel, Natural Resources Defense Council
Bruce Rich, Natural Resources Defense Council
Barbara Bramble, National Wildlife Federation
Brent Blackwelder, Environmental Policy Center
Phil Claxton, Population Crisis Committee
Joseph Tydings, Population Crisis Committee

Discussion - Environmental Issues

1. Tom Stoel, speaking for the environmental groups, opened the discussion. He said that, in the view of those he represented, much improvement was needed in the way the Bank addressed environmental issues. He noted that the groups represented in the meeting had an extremely large and powerful membership, whose support could be valuable for the Bank's efforts to secure funding for IDA. However, Mr. Stoel warned that in order for the groups to be credible to their supporters, they were compelled to point out the shortcomings they perceived in Bank programs. He also said that they needed to be able to point to progress in meeting their concerns if they were to support IDA. The first "deficiency" he pointed out was that Jim Lee's office was in their view seriously under-staffed. They felt that, as constituted, the environmental unit could not possible address all the environmental issues arising out of Bank projects.

2. In reply Mr. Clausen stated that we should be held accountable for what we do, not for the size of a particular budget or staff. He said that "Jim Lee can access the totality of resources in the Bank." Mr. Rajagopalan noted that Mr. Lee provides the policy framework, and that he helps to sensitize the staff to environmental concerns through seminars and training courses. However, he made it clear that it was the project staff which had primary responsibility for specific decisions on environmental issues. He said that where additional specialized assistance was required, consultants could be and were hired.

3. Mr. Stoel then went on to say that more progress was needed in natural resource management, and that in general World Bank documents did not reflect a sensitivity to the environment. Mr. Clausen noted that the next WDR would focus on population issues, but that otherwise this was a fair and constructive criticism. He said that the Bank wants to broaden and deepen the policy dialogue. However, Mr. Clausen made a very strong statement that he did not think it was appropriate for these groups to withhold support for IDA simply because they did not like some of the things the Bank was doing (or not doing) in the environmental area. He said that the problems of poverty in the developing countries which IDA is trying to address are far more important overall than issues such as staffing levels. He said the Bank knew it had more to do in the environmental area, but that these groups shouldn't "hold hostage your support because we're not perfect."

4. Barbara Bramble of the National Wild Life Federation emphasized that the Bank lacked expertise to ensure that resource management issues were being adequately addressed, particularly in the areas of forestation and water resource management. She said that more strategic thinking on the environment is needed, and that more emphasis should be put on sustainable development. She also reiterated that while many groups might wish to support the Bank, they felt that these shortcomings would need to be addressed. Mr. Clausen reacted that, while he appreciated the offers for support, he resented the implicit threat that such support would be held hostage to these groups' particular special interests. He emphasized that the groups and the Bank had a similar overall objective of sustainable development. He agreed that a dialogue on how best to achieve this objective would be worthwhile, but again reemphasized that their concerns should not divert them from lending their support to IDA.

5. Mr. Clausen said that he was also aware of the particular concerns which Ms. Bramble had with regard to fisheries projects, and agreed that there quite obviously were some problems in that area. He suggested that a follow-up meeting with senior Bank managers be arranged so that projects with specific problems could be identified and discussed.

6. Mr. Stoel noted that they all sought a better understanding with the Bank, but that they had been frustrated by the Bank's response to their concerns. He particularly noted what he termed the Bank's evasive and unconstructive response to the issues raised in their testimony at Congressional hearings last spring. Mr. Clausen noted that he had seen the letter they had written to Congressman Jerry Patterson, and said that "if you're so upset, why not come in here to talk to us before you talk to Patterson." He said that in his view it was only fair that they should give the Bank a chance to discuss their concerns before they found it necessary to go to the Congress with them.

7. Mr. Clausen on several occasions made the point that "the countries themselves are limiting public investments to stay alive." He said it was very hard to get countries to concentrate on environmental or similar issues when their attention is on survival. He said that it takes two parties to achieve progress, and that the projects we do reflect the concerns of the countries we work with. However, he said that "we will make every effort to see countries don't forget issues we care about." He also noted that there was a real cut in IDA resources of around 40%, and that one billion people had been added to the number of those IDA tries to reach. In these circumstances, it was clear that there would be limits to what the Bank could do.

Discussion - Population Issues

8. Phil Claxton of the Populations Crisis Committee noted his earlier meeting with Mr. Clausen and Ambassador Green. Since then Mr. Claxton had visited Liberia and Nigeria; he said he felt that while the Bank was making some progress in these countries, he was somewhat disappointed that more was not being done. In response Mr. Clausen noted that these and other countries had faced severe short-term economic problems that in some instances forced governments to shift their priorities away from longer term development programs.

9. Former Senator Tydings noted that he and those he worked with were cognizant of Mr. Clausen's real concern about population, resource management and environmental safeguards. However, he noted that they operated in a political arena, and that in this context, perceptions were important. He went on to say that the perception was that "when you get to the Vice President and the career staff," these people are not really concerned about population and the environment. He said that the perception was that the Bank was paying mere lip service to these concerns and that it was doing very little of substance to correct the shortcomings that had been identified. Senator Tydings felt it was important to begin work to change this perception. Mr. Clausen said that he felt that this perception was not necessarily correct. However, he again noted that it takes two to cooperate; countries don't always have the same priorities as the Bank. However, he agreed that there was not enough focus on these issues, and that the Bank needed to do more in the areas of nutrition, health and population.

10. Senator Tydings suggested that perhaps an outside advisory group could be convened to evaluate Bank programs in these areas. He also noted that Bank support for a Brazil conference on population had done much to indicate the Bank's concern and leadership; he said that actions such as these were invaluable in helping to achieve more widespread support for the Bank as an institution. Mr. Clausen closed by saying that we clearly needed to do more, and that it was certainly not true that these issues are being buried. He said that he would see that follow-up meetings were set up with senior management and representatives of both the population and the environmental groups so that their concerns could be addressed in a constructive fashion.

April 18, 1984

Mr. Lester R. Brown
President
Worldwatch Institute
1776 Massachusetts Avenue, N.W.
Washington, D. C. 20036

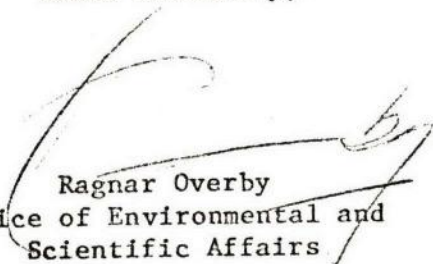
Dear Lester,

On behalf of the many people who were able to enjoy your State of the World - 1984 briefing here on 6 April, I am extending sincere thanks of appreciation. It is always a privilege for us to benefit from your insight and generosity, and the subjects of sustainable economic development and the State of the World are, naturally, of considerable interest to all Bank staff.

In our continuous efforts to ameliorate conflicts between the environment, natural resources, and economic development, your assistance is highly valued.

Please let us know if we can assist Worldwatch in its further efforts to monitor world trends, progress, problems and environmental opportunities.

Yours sincerely,


Ragnar Overby
Office of Environmental and
Scientific Affairs

Cl w/& cc: Dr. J. Lee

cc: R. Goodland; G. Ledec; J. Shilling; J. Leslie; K. Ranganathan; B. Abadian; C. Bianchi; A. Stam; H. Aspeqvist; A. Sfeir-Younis; R. Maybury; R. Southworth; J. Maddux; J. Upper; R. Ackermann; N. Birdsall; W. Baum

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OFFICE MEMORANDUM

DATE: April 2, 1984

TO: Mr. A. W. Clausen
THRU: Anne O. Krueger *AK*
FROM: Nancy Birdsall

EXTENSION 60001

SUBJECT: Population Crisis Committee and WDR 1984

This note is to provide background on the relations I have had with staff of the Population Crisis Committee in preparing the WDR.

Last summer I sent PCC staff member Lawrence Kegan a copy of the outline for the WDR, at his request. (In 1979 Mr. Kegan had commented on a background paper on population which I had prepared for the 1980 WDR.) I met shortly after with Mr. Kegan and Ambassador Edwin Martin (also of the Population Crisis Committee) in my office. They had very useful comments on the outline; in particular Ambassador Martin drew my attention to the activities of nongovernmental and voluntary organizations in developing family planning services in developing countries.

In February of this year I received a request to see a draft of the Report from another staff person at PCC. She was interested primarily in data linking savings to population growth. I sent her a background paper on savings commissioned for WDR and explained we did not wish to distribute the early draft then available outside of the Bank. She asked if I would join her and Sharon Camp, a Vice-President of PCC, for lunch on February 27. Unfortunately Dr. Camp was sick and her office called to cancel the lunch the morning of February 27.

Early in March I learned that other PCC staff had approached Bank staff in the external relations and publications department, requesting a draft of the WDR. I was asked by Bank staff whether a draft could be sent out. Though the Population Crisis Committee as a group would surely provide useful comments, I was reluctant to distribute the draft to them or other population groups for two reasons:

1. Given the efforts of the right-to-life movement in the U.S. to restrict USAID's population assistance program, I felt it prudent to avoid any semblance of the Bank's asking for comment from some outside groups, including those pushing for more U.S. assistance to population, and not from groups less favorable to donor involvement.

2. There are innumerable U.S.-based groups who do support population activities. I preferred to avoid asking one group for comment and not others, and also to avoid distributing a draft to groups in the U.S. but not in other donor countries and in the developing world.

In an effort to keep cordial our relations with Population Crisis Committee, I telephoned Sharon Camp there and explained the situation. I also called Ambassador Martin and asked if he would review a draft as an individual, a procedure I had already followed with others. (A copy of the letter to him that accompanied the draft is attached.) He agreed, and after a quick reading called last week. He seemed generally pleased with the tone and message of the draft, and will be coming to my office April 3 to give me more detailed comments.

cc: Mr. John North, PHNDR

March 19, 1984

Ambassador Edwin Martin
4101 Cathedral Avenue, N.W.
Apt. 205
Washington, D.C. 20016

Dear Ambassador Martin:

Thank you for agreeing to review the enclosed draft of the World Development Report. I found our brief discussion in my office last summer, when you commented on the outline, very helpful, so I am delighted you have agreed to look through this draft. (The chapters on population are Chapter 1, and Chapters 4 on.)

As we discussed on the telephone, I hope you will help in two respects: (1) Is the Report policy relevant? Is the message clear, and is it the right message? (2) Are there red herrings--statements or phrasing that will cause us needless political problems?

Please do treat the draft Report as confidential. We have had several requests from staff at the Population Crisis Committee interested in seeing the draft; as I mentioned on the telephone, I have had to explain we cannot at this time circulate the draft to any one group. This is regrettable, since I and my colleagues at the Bank value greatly the work of the Population Crisis Committee, and the insight you and staff there have provided over the years into population issues. I hope, insofar as you think it appropriate, you will explain the situation to your colleagues.

I understand you will be out of town for several days this week, but will call early next week to give me comments.

Sincerely,

Nancy Birdsall
Staff Director
World Development Report VII

RI 20 11 2000 27-0000 1300000
130440

Natural Resources Defense Council, Inc.

1725 I STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006
202 223-8210

400

New York Office
122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office
25 KEARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

March 30, 1984

Mr. A.W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Tom B. Stoel, Jr.

Dear President Clausen:

Thanks very much for your letter of March 27. I would like to take this occasion to express my personal appreciation to you for taking the time and trouble to meet with us, and for your courteous response to our suggestions.

When I was an assistant to George Shultz, he used to say that every organization has to have a "last word man." You have the "last word" in managing the World Bank, and it is an awesome and complex responsibility. Our meeting made us even more aware of the difficulties you face.

We share your belief in the Bank's vital mission, as demonstrated by our congressional testimony on behalf of the IDA appropriation. I know that you likewise share our concerns about the environment and natural resources -- as shown, for example, by your 1981 speech and your continuing dialogue with my law school classmate, Bill Reilly.

We are grateful for your willingness to facilitate a broader dialogue between environmentalists and Bank officials. Mr. Southworth has been most helpful in arranging meetings with the Bank's Vice Presidents. We look forward to cordial, productive discussions with them. We also appreciate the Bank's willingness to discuss the issues raised by the Bank's Sector Policy Paper on Fisheries. I can assure you that in all of these discussions, our approach will be professional and constructive.

Sincerely,

Thomas B. Stoel, Jr.

Thomas B. Stoel, Jr.
Director
International Program

TBS/jab

New England Office: 16 PRESCOTT STREET • WELLESLEY HILLS, MA. 02181 • 617 237-0472
Public Lands Institute: 1720 RACE STREET • DENVER, CO. 80206 • 303 377-9740

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A W CLAUSEN
President

March 27, 1984

Dear Mr. Stoel:

Thank you and your colleagues for your thoughtful and detailed letter relating to our recent meeting in which we discussed the support of the environmental and population organizations for the Seventh IDA Replenishment; and, more generally, the important issues of natural resource management and population growth.

I share your views and those of your associates that it was a useful and productive meeting. It initiated what I hope will be useful discussions with our senior management on these matters of mutual interest and concern to our respective organizations.

As was agreed, I have asked my Administrative Assistant, Mr. Roy Southworth, to serve as the principal point of contact for arranging and otherwise coordinating the meetings. I look forward to hearing from my senior staff and you on the results of these discussions.

I note your continuing concern that the Sector Policy Paper on Fisheries is inadequate. Mr. Shahid Husain, Vice President, Operations Policy, and his associates will be happy to discuss with you the issues raised by the paper and the Bank's environmental concerns in general.

Finally, let me again reiterate that we genuinely welcome the support of the environmental community for the important work of the Bank, and, indeed, that of the multilateral development institutions. Your expression of support for the Seventh IDA Replenishment is greatly appreciated.

Sincerely,



Mr. Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council, Inc.
1725 I Street, N.W.
Suite 600
Washington, D.C. 20006

BC - A. Husain

3-22-84

OK: Roy

The best in your
court - to
improve the
relationship!
2

ROUTING SLIP		Date
		March 12, 1984
OFFICE OF THE PRESIDENT		
Name		Room No
Mr. Husain <i>hu</i>		E-1023
cc: Mr. Stern		
<i>Ken</i>		<i>172-7-10-1</i>
		<i>ht</i>
To Handle		Note and File
Appropriate Disposition		Note and Return
Approval		Prepare Reply
Comment		Per Our Conversation
Full Report		Recommendation
Information		Signature
Initial		Send On
Remarks		
<p>Would you please prepare a reply for Mr. Clausen's signature by March 26?</p> <p style="text-align: right;">Roy Southworth</p>		
From		

ROUTING SLIP DATE March 23, 1984

FROM THE VICE PRESIDENT OPERATIONS POLICY

NAME	ROOM NO.
(1) Mr. Stern <i>ES.</i>	
(2) Mr. Clausen <i>A</i>	

APPROPRIATE DISPOSITION	NOTE AND RETURN
APPROVAL	NOTE AND SEND ON
COMMENT	PER OUR CONVERSATION
DEFERRED	PER YOUR REQUEST
DEFINITION	PREPARE REPLY
FILE	RECOMMENDATION
	SIGNATURE

Tom -
 I have no problem with this letter - but we are getting these fellows awfully deep into the specifics of Bank operations.

ES

S. Shahid Husain *SH* ROOM NO. E-1023 EXTENSION: 72283

Tom:

Thomas Steel's office has been in touch. We are arranging the first meeting, on Ernie's recommendation, with Dave Hopper.

Roy

3-27-84

P.S. The meeting on the Fisheries Paper with Shahid will take place later.

Natural Resources Defense Council, Inc.

1725 I STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006

202 223-8210

New York Office

122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office

25 KEARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

March 7, 1984

Mr. A. W. Clausen, President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

We are very pleased to have had the opportunity to meet with you to discuss our ongoing activities before the Congress concerning the World Bank, particularly the Seventh Replenishment of the International Development Association. We thank you for taking, on such short notice, more than an hour out of your schedule to talk over matters of common concern and interest.

Collectively, as you know, the undersigned organizations represent over five million members and supporters, which is potentially a new constituency in this country of considerable importance for multilateral development assistance. Our groups have successfully entered the legislative arena on numerous occasions in the past to promote or defend issues of concern to our memberships; this is the first of what may be many times that we are supporting legislation to fund the World Bank.

We share the same development goals as IDA and the rest of the Bank. Our concerns go to the heart of the development process itself, since poverty and environmental deterioration in large parts of the developing world are inextricably related. Sustainable economic development is not possible without concrete measures at all stages of the project cycle to ensure sound management of natural resources and biological systems.

We were pleased to be able to report back to our members your statement that the Bank and its staff need to focus more on natural resource management issues. Your strong expression of the need for a direct, broadened and in-depth dialogue with our organizations on these issues is welcome. We were encouraged by your acknowledgement that more attention needs to be given to natural resources and environmental management in the Bank's

New England Office: 16 PRESCOTT STREET • WELLESLEY HILLS, MA. 02181 • 617 237-0472
Public Lands Institute: 1720 RACE STREET • DENVER, CO. 80206 • 303 377-9740



Mr. A. W. Clausen
March 7, 1984
Page 2

? A
policy documents. A case in point is the Fisheries Sector Policy Paper, which you acknowledged was seriously inadequate. We reported to the other signers of the Fisheries Paper critique your statement that you found our comments to be constructive, and that you subscribed to the suggestions we made to the Bank. We therefore were looking forward to the Bank's response to our analysis and to an outline of specific actions the Bank would take to remedy the serious deficiencies which you agreed characterize the Fisheries Sector Paper. ?

We are disturbed and perplexed, however, by the reply we have just received from Mr. Husain, Vice President for Operations Policy. The letter indicates that the Bank has no plans--and does not consider it necessary--to remedy the deficiencies we identified in our comments. It contradicts directly the unambiguous sense of our discussion with you.

Since we submitted our fisheries comments for the record at the House IDA authorization hearings--and plan to do so in our scheduled appearances at the Senate IDA authorization and appropriations hearings--the Bank's reply already puts at risk our credibility in supporting IDA, not only with our own constituencies but with the U.S. Congress. It serves as an example of the very concerns we expressed to you at our meeting, that the Bank is not implementing its official statements on natural resources management in its policy and project work.

At the time of our meeting with you we were pleased to hear you express the desire of the Bank to pursue a dialogue at the highest level on natural resources issues. The first step, as you agreed, is setting up meetings between representatives of our groups and the vice presidents of the Bank. We agree with you that such discussions should be of a substantive nature to provide more detailed information on what the bank is doing at the operational level in the area of natural resources management and environmental planning. As you suggested, we will be in touch with your assistant, Mr. Southwark, about the scheduling of the first meetings with the Bank's vice-presidents.

We have prepared an outline, which is attached, of actions the Bank could initiate to remedy some of the most serious deficiencies we perceive in its programs and policies with respect to natural resource management. Many of these actions could be undertaken promptly, with little or no expense for the Bank. For example, steps could be taken immediately to begin the preparation of policy papers and directives to implement III B (Incorporation of natural resources concerns and expertise in country dialogues), IV A (career incentives for increased consideration of natural resources management) and IV B (periodic progress reports from the regions).

Mr. A. W. Clausen
March 7, 1984
Page 3

We wish to thank you again for the time and consideration you personally gave us to initiate a direct dialogue on management concerns which we all have agreed publically are essential for the realization of sustainable, successful economic development.

In closing, we must emphasize that we await some indication in the near future that the Bank's management takes its own policy statements on environment seriously enough to undertake concrete actions to remedy substantiated, major deficiencies, as set out in the attached "Outline". As we stated, the very basis of the credibility of our continued public support for the Bank is at stake. The most immediate example of such deficiencies--as you yourself acknowledged--is the inadequate treatment of resource management in the Fisheries Sector Paper. With respect to that document, we await from the Bank an indication of what it plans to do and when. The response we have just received clearly does not reflect either the substance or the spirit of the comments you made to us concerning this matter.

We thank you for your attention and concern.

Sincerely,

Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense
Council

Bruce M. Rich, Attorney
International Project
Natural Resources Defense
Council

Barbara Bramble
Director, International Program
National Wildlife Federation

Brent Blackwelder
Director, Water Resources
Policy Center
Environmental Policy Center

Enclosures

Outline of Actions to Bring About
Improved Natural Resources Management and Conservation
in World Bank Programs and Projects

I. INCREASE STAFFING

- A. Add qualified staff to the Office of Environmental and Scientific Affairs (OESA) which does not have adequate personnel to handle its current responsibilities.
- B. Increase qualified personnel trained in natural resources management in the regional offices and in both country projects and programs departments.
- C. Streamline procedures to ensure that qualified experts are hired out of project budgets when OESA or regional office staff identify the need for natural resources specialists.

II. GIVE GREATER PRIORITY TO FINANCING SOUND NATURAL RESOURCES MANAGEMENT PROJECTS AND PROJECT COMPONENTS SUCH AS:

- A. Watershed management for all projects that depend on it, including hydroelectric and agricultural schemes.
- B. Small-scale forestry, including fuelwood lots, village forestry and agroforestry.
- C. Restoration of productivity of lands degraded by deforestation, waterlogging and salinization.
- D. Population and family planning.
- E. Sanitation and public health.
- F. Inclusion of forestry and integrated pest management in agriculture and rural development projects when feasible, with particular attention to safeguards to prevent pesticide misuse.
- G. Conservation of wetlands, estuaries, mangrove swamps, coral reefs and other important fish breeding habitats in all projects affecting coastal zones.
- H. Conservation of pristine natural areas in national parks and other protected areas to prevent the loss of genetic diversity and preserve the future biological capital of borrower countries.
- I. Investment in alternative energy such as solar and geothermal projects.

III. ENSURE GREATER ATTENTION TO LONG-TERM NATURAL RESOURCES CONSERVATION AND MANAGEMENT IN ECONOMIC AND SECTOR POLICY AND RESEARCH

- A. Include natural resources expertise in preparation of sector policy papers, country economic memoranda, CPPs and other policy documents.
- B. Incorporate natural resources concerns and expertise in each stage in the Bank's policy dialogues with borrowing countries.
- C. Conduct operational research to revise the analytical framework used to calculate benefits and costs of use and management of natural resources.

IV. IMPROVE INSTITUTIONAL INCENTIVES FOR GREATER ATTENTION TO SOUND NATURAL RESOURCES MANAGEMENT

- A. Add, as a significant factor in evaluation of job performance of Bank staff and in their career advancement, the demonstration of full consideration of natural resources conservation and management.
- B. Require Vice Presidents of the Regions and of the Operations Policy Staff (OPS) to prepare regular reports (e.g., bi-monthly) on their progress in implementing all of the above.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

February 27, 1984

Mr. Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council, Inc.
1725 I Street, N.W., Suite 600
Washington, D.C. 20006

Dear Mr. Stoel:

Mr. Clausen has asked me to thank you for your letter of January 24, 1984, and to confirm the Bank's appreciation of your keen interest and concern regarding the proper management of natural resources in developing countries.

Let me assure you that the Bank is fully aware of the potential effects that economic development can have on the environment. Our long and continuing concern with the management of natural resources applies as much to the fishery sector as to any other. This recognition has been well documented and reflected in the Bank's policy statements, as you are aware. I therefore note with concern your comments on the Fishery Sector Policy Paper.

In this respect it seems surprising, however, that you choose to consider this paper in isolation from the various complementary documents which outline the Bank position on environmental issues and natural resources management. We in the Bank certainly do not view the paper in this way.

Sector policy papers have many uses and many limitations. They are global in nature and must of necessity address a broad range of issues relating to development of the sector. This is true of the fisheries paper which deals with a very complex sector and has as a primary concern the well being of literally millions of poor fishermen and their families. Clearly, there is no way that their long-run welfare can be separated from issues of resource management, and this recognition is reflected throughout the paper.

While it is clear that the Fishery Sector Policy Paper does not review in detail the natural resource management issues outlined in the various reports you have cited, this does not mean that the Bank is or was unaware of them. Rather, the opposite was true. I believe a careful reading will show that the sector management issues are discussed throughout the sector paper in a way wholly consistent with the principles embodied in the World Conservation Strategy and in the Law of the Sea Treaty. Your reader will have noted that some of the information used in the Fishery Sector Policy Paper was taken from the World Conservation Strategy paper.

Rather than reviewing or criticizing the documents you cite, the Fishery Sector Policy Paper sought to address the issues in operational terms. In this respect a major concern of the paper is with the development of sector management institutions. The Bank has found consistently in its activities that improved management principles and criteria can only be adopted if the institutional arrangements and trained manpower are in place to implement them. Once a country reaches the implementation stage the principles and criteria laid out in general terms in the World Conservation Strategy and various other documents, need to be evaluated and adjusted to fit the particular circumstances pertaining in that country, and then passed into law, before they can be enforced. This process of policy formulation and implementation is a complex and difficult one, which explains why the Fishery Sector Paper puts its emphasis on country capacity for sector management and the Bank's means and ability to help them in this.

It is difficult to discuss these matters in detail in a letter of this kind. We value your views and would welcome a greater exchange with you should you wish it. The Bank's Fishery Adviser and the staff of the Environmental Unit will be pleased to discuss these matters further with you and your colleagues.

May I conclude by assuring you of the Bank's continuing interest and concern regarding environmental and resource management issues in developing countries. The Bank recognizes these as being of increasingly pressing importance as economic growth and development proceed. Because of this we welcome your support and encouragement in addressing these issues to greater effect in the future.

Yours sincerely,

S. Shahid Husain
Vice President
Operations Policy

THE WORLD BANK
Washington, D. C. 20433
U.S.A.

A. W. CLAUSEN
President

March 27, 1984

Dear Mr. Stoel:

Thank you and your colleagues for your thoughtful and detailed letter relating to our recent meeting in which we discussed the support of the environmental and population organizations for the Seventh IDA Replenishment; and, more generally, the important issues of natural resource management and population growth.

I share your views and those of your associates that it was a useful and productive meeting. It initiated what I hope will be useful discussions with our senior management on these matters of mutual interest and concern to our respective organizations.

As was agreed, I have asked my Administrative Assistant, Mr. Roy Southworth, to serve as the principal point of contact for arranging and otherwise coordinating the meetings. I look forward to hearing from my senior staff and you on the results of these discussions.

I note your continuing concern that the Sector Policy Paper on Fisheries is inadequate. Mr. Shahid Husain, Vice President, Operations Policy, and his associates will be happy to discuss with you the issues raised by the paper and the Bank's environmental concerns in general.

Finally, let me again reiterate that we genuinely welcome the support of the environmental community for the important work of the Bank, and, indeed, that of the multilateral development institutions. Your expression of support for the Seventh IDA Replenishment is greatly appreciated.

Sincerely,



Mr. Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council, Inc.
1725 I Street, N.W.
Suite 600
Washington, D.C. 20006

BC - A. Husain

OFFICE MEMORANDUM

DATE: February 21, 1984

TO: Mr. Roy Southworth, EXC
THRU: Mr. V. Rajagopalan, PPD
FROM: James A. Lee, PPDES

2-24-84
A

EXTENSION 75366

SUBJECT: Visit of Senior Officials from the Environmental Organizations with President Clausen

1. With regard to your urgent telephone call to me on Friday, February 17, informing me that a delegation of senior officials from the major environmental organizations would shortly be visiting with Mr. Clausen, and requesting a short briefing note on what they might be expected to touch upon, I am pleased to furnish you with the attached.

2. It should be noted that these organizations are politically influential and can be instrumental in gaining support for the important work of the Bank. As was clearly pointed out in their testimony at the Congressional hearings in 1983, they will, however, be expecting the Bank to give much greater attention to the environmental and natural resources aspect of its development activities, and they are prepared to push for strong conditional language to that effect, if necessary, in the legislation under consideration concerning the IDA replenishment at the 1984 hearings. Additional and more extensive hearings regarding the environmental policies and practices of the multilateral development banks are scheduled for March.

Encs.

cc: Mr. Stanton, IPA

JALee: on

OFFICE MEMORANDUM

DATE: February 23, 1984

TO: Mr. A.W. Clausen

FROM: J. William Stanton *JWS*

EXT: 72173

SUBJECT: Friday Meeting with Environmentalists

DECLASSIFIED

APR 07 2011

WBG ARCHIVES

CONFIDENTIAL

1. I think you should be forewarned that the representatives of these organizations are not necessarily what they seem to be.

2. The meeting was arranged with you under the pretext of their wanting to be of help in the IDA-7 process in Congress. It was only later found out that some of these groups have been quite critical, in the past, of the Bank's handling of environmental issues. Their main complaint seems to be that the Bank is woefully understaffed to handle environmental issues, considering the volume of projects that it operates. In this regard, I think they have an ally in our Jim Lee. He has been most sympathetic to them and is probably considered as a friend by most of them. 111

3. There is no question in my mind that this is a very influential group. If they have set out to fight IDA-7 because of environmental concerns, we will lose votes in Congress. They have their following in Congress - mostly from the liberal-Democrat wing, and I certainly would want them neutral, or as our supporters, if given an opportunity.

4. The Patterson Committee does not consider them as friends and it is questionable whether they will be testifying in the next week or whether they will be sending just a statement for the record. We have heard that he does not wish to hear them regarding the IDA Authorization because he does not trust them. (This is confidential.) This, of course, is something that we have no control over.

5. They say in their letter of February 15 that they are not satisfied with our response to their questions and are submitting a more detailed response to the sub-Committee. I was wondering why they just don't submit them to the Bank directly and see if we cannot work out most of the concerns before they transmit them to Congress and the general public (see page 2 of their letter to Chairman Patterson). If they are sincere in wanting to be friends of the Bank, I would think they would want to do this. To list their objections to the Bank's response publicly is bound to influence opinions on the Hill that would have supported the Replenishment, before such a negative analysis. They play a very dangerous game and this should be pointed out to them. |

6. I understand that Former Senator Joseph Tydings will be at the meeting. His concern has always been "population", and I would be

Mr. Clausen

- 2 -

February 23, 1984

surprized if he does not bring this up. We can say that we had Congressman Jim Scheuer and his international Board of Directors into your office to discuss this subject last Fall.

7. I had planned to attend this meeting until this morning. Senator Danforth called and wondered whether I could attend a luncheon on the Hill at noon tomorrow to discuss IDA with a couple of his colleagues. I figured this had priority.

Attachment

JWS/jv

BRIEFING NOTE

OK
es
2/23/84

Visit to Mr. Clausen by Senior Officials
of the
Major Environmental Organizations

Background

1. The major environmental organizations closely monitor the environmental programs and work of the multilateral development institutions especially the World Bank. They have long been a good friend of the Bank, and have lately expressed interest in assisting it with regard to the IDA replenishment. Moreover, they were very much heartened by Mr. Clausen's 1981 address on sustainable development and have given it wide publicity (copy attached).
2. In June 1983 these organizations collectively testified at U.S. Congressional Hearings before the House Sub-committee on International Development Institutions and Finance, on the subject of Environmental Impact of Multilateral Development Bank-funded Projects.
3. In these hearings they were generally complimentary of the Bank's environmental policies and practices, albeit citing numerous areas for innovation and improvement. They were far less kind, however, to other institutions such as the Inter-American Development Bank, the African and Asian Development Banks.
4. They were particularly complimentary of the World Bank's initiative in establishing the Committee of International Development Institutions on the Environment (CIDIE). This Committee, established in 1981, attempts to harmonize the environmental policies and practices of the eleven major multilateral development assistance institutions -- that is, to bring them more in line with those of the World Bank.
5. Those environmental organizations are, however, becoming increasingly concerned that the Bank is doing far less as regards environmental concerns than it could and should in its economic and sector work; in assisting its member countries to fashion national country development strategies that take appropriate cognizance of the environmental and natural resource base that underpins their economic development; and, giving greater in-depth treatment of environmental considerations in its project lending.
6. The organizations' espoused longer term goal has been one of building up a more active constituency for U.S. supported multilateral development assistance among its politically important memberships. In doing so, however, it anticipated that the multilaterals, particularly the World Bank, would give greater attention at the highest management levels to the inseparability of sound environmental/natural resource planning and sustainable economic development.
7. In this connection they collectively found the Bank's response to the questions and admonitions raised in the 1983 hearings to be "... evasive, unconstructive, reactive ..." and, stated that it (the Bank)

"explicitly or implicitly abdicates and denies its responsibility for effectively dealing with environmental matters that are, in our opinion, crucial to development." The testimony was voluminous and exhaustive in its treatment, covering a wide range of issues relating to environment and development, as well as questions relating to specific projects financed by the Bank. Our response addressed the specific questions raised in the testimony as well as providing some limited treatment of the broader issues raised.

8. As a result, they now intend to further express to both the Bank and the U. S. Congress their growing concern about the "... urgency of ongoing environmental deterioration in the developing world." Additional and more extensive hearings are scheduled to be held this Spring on the subject of the environment and the multilateral development banks. Further, they will also be submitting testimony at the hearings to be held on the VII IDA replenishment.

9. In the case of both the environment and IDA hearings, it can be expected that three organizations will push vigorously for conditional language relating to the Bank's consideration of environment and natural resources in its work.

10. Finally, in a letter dated February 15 sent to the Chairman of the Subcommittee responsible for the hearings and copied to Mr. Clausen, nine of the major environmental organizations expressed their concern for the "... gravity of the problem of environmental understaffing" in the Bank. In it they state "... the disparity between the responsibilities the Bank ascribes to its Office of Environmental and Scientific Affairs and its staffing, particularly with respect to critical pre-project review, is so enormous that it could risk undermining the credibility of the Bank as an institution in the eyes of the millions of environmentally conscious Americans who form the memberships of the organizations which testified last June" (and will again testify). However, the facts presented in support of this assertion are not accurate.

What to Expect

11. These organizations with over seven million members (mostly voters) plan to visit with the Bank's President to indicate their willingness to actively support the Seventh IDA replenishment in the Congress.

12. However, they will be seeking assurances from the President that the Bank -

- (a) Will be giving greater operational effect to the concept of sustainable development which the Bank's President has termed a "global imperative."
- (b) Will shortly issue a policy statement to provide direction to Bank staff on the handling of environmental issues in the conduct of the Bank's project, and country economic and sector work. (Note:

Financial Paper

How many people we intend

An OMS on environment is currently under consideration by senior management.)

OPERATIONAL MANAGEMENT STATEMENT

- (c) Will be devoting in the next fiscal year additional resources to its Office of Environmental and Scientific Affairs (OESA) by enlarging its staff and budget and giving it greater organizational visibility. (Note: The OESA is presently one of four units in the Projects Policy Department in OPS. It currently has seven positions.)

CONCENTRATION SHOULD BE ON HOW WELL WE DO - NOT ON OUR BUDGET OR STAFF

13. In this connection, it should be pointed out that the U.S. Department of the Treasury has recently established an Environmental Office to monitor and oversee the work of the World Bank. It reportedly will be prepared to instruct the U.S. Executive Director to "vote against any project that does not have, in its judgment, an adequate environmental assessment available for scrutiny prior to the voting;" and, "to vote against any project which failed to meet criteria for ecological sustainability, protection of indigenous people, and conservation of critical natural resources."

Recommendations

To inform the representatives of the major environmental organizations

- (1) that the Bank does, indeed, welcome their support of the seventh IDA replenishment;
- (2) that the Bank further appreciates their public acknowledgement of the leadership displayed by the Bank over the years with regard to its environmental policies and practices;
- (3) that the environmental staff of the Bank will continue to expend its efforts to strengthen environmental work of the Bank through its systematic project reviews, preparation of policy papers and operational guidelines and holding of seminars and training sessions. The staff keep abreast of the emerging global issues in the field of environment and bring key issues to senior management's attention. Post audits of completed projects having environmental components are done. Specifically, we propose
 - (a) to issue shortly a formal policy document (OMS) to Bank staff providing direction and guidance on the handling of environmental issues at all stages of the project cycle, and in country economic and sector work;
 - (b) publish a revised and updated version of the Bank's comprehensive handbook on "The Environment,

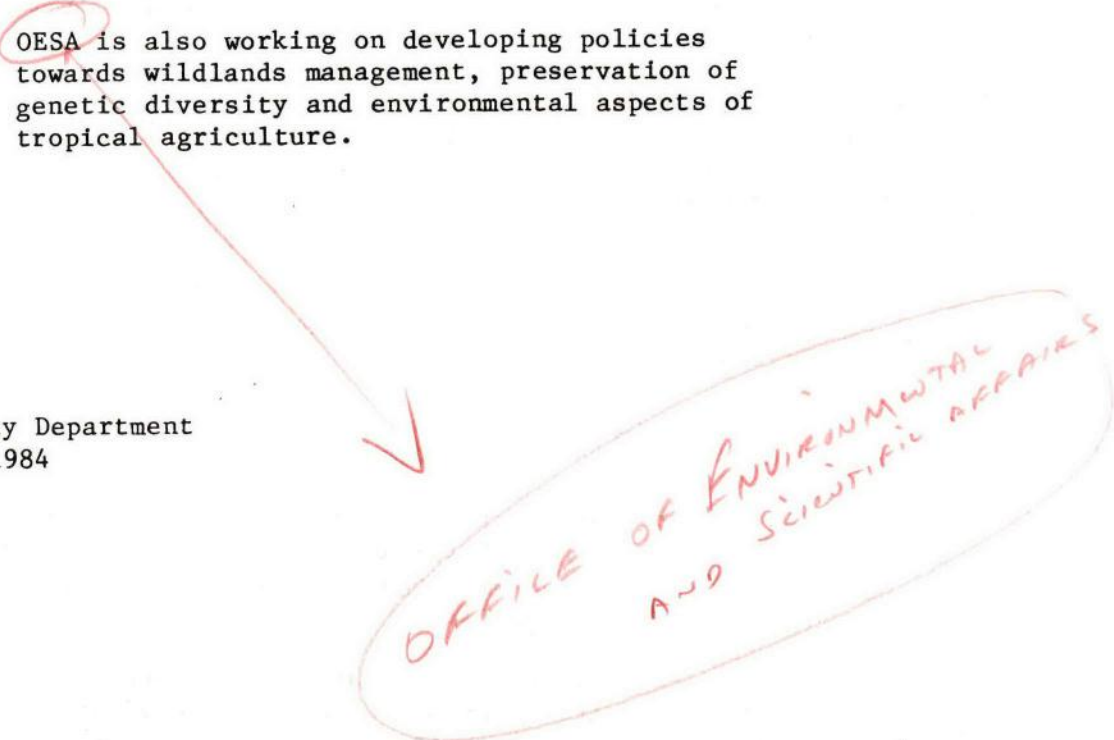
THIS GROUP SHOULD SUPPORT IOA FOR WHAT IT IS! THE GREATEST PROBLEM IS TO SITE ENVIRONMENT IS DYING + POLLUTING STRIKEA PRODUCE!

Public health, and Human Ecology: Considerations for Economic Development." We also intend to publish the recently developed guidelines on pollution control for small- and medium-scale industries. These publications not only serve to sensitize all Bank staff to the environmental issues to be considered but also serve as reference for the borrowers and public at large;

- (c) in light of the current concerns regarding pesticide contamination and acid rains, guidelines on use of pesticides and sulphur dioxide emissions are being revised;
- (d) OESA is also working on developing policies towards wildlands management, preservation of genetic diversity and environmental aspects of tropical agriculture.

Attachment

JAL/VR:lph
Projects Policy Department
February 23, 1984



OFFICE OF ENVIRONMENTAL
AND SCIENTIFIC AFFAIRS

Natural Resources Defense Council, Inc.

1725 I STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006
202 223-8210

New York Office
122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office
25 KEARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

February 15, 1984

The Honorable Jerry Patterson, Chairman
Subcommittee on International Development
Institutions and Finance
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Patterson:

We recently received the response of the World Bank which you requested in July, 1983 to address the questions we raised in testimony presented at the first two hearings last June on the multilateral banks and the environment. For the past seven months we have awaited the World Bank's response with anticipation, since we viewed the hearings as a first step in a constructive and mutually enriching dialogue between national environmental groups, the Congress, and the Banks on the importance of environmental management for sustainable economic development. Our efforts have been based on our longer term goal of building up a more active constituency for U.S. supported multilateral assistance in our national memberships and on our awareness that the multilaterals, and especially the World Bank, have publicly committed themselves on numerous occasions and at the highest level to the inseparability of sound environmental planning and viable economic development.

We are gravely disappointed and profoundly disturbed by the evasive, unconstructive, reactive tone and content of the World Bank's response. Rarely does the Bank join the issues or address the substance of questions in a forthright manner; often it completely evades the central concerns of the testimony. In other instances, the response explicitly or implicitly abdicates and denies the Bank's responsibility for effectively dealing with environmental matters that are, in our opinion, crucial to development.

Although we are preparing a longer, point by point response, we are so concerned by the implications of the Bank's reaction that we feel compelled to communicate now the very great concern

New England Office: 16 PRESCOTT STREET • WELLESLEY HILLS, MA. 02181 • 617 237-0472

Public Lands Institute: 1720 RACE STREET • DENVER, CO. 80206 • 303 377-9740

that our initial reading has aroused. Given the scope and impact of the Bank's lending, we wish to communicate to the Congress, the Treasury Department and the Bank the urgent preliminary observations that follow.

Our testimony seriously understated the gravity of the problem of environmental understaffing. We recently learned that the Director of the Office of Environmental and Scientific Affairs (OESA) has only one professional (the Bank has over 5,500 employees) who is involved in the review of the environmental consequences of over 300 new and hundreds of ongoing projects a year, totaling over \$15 billion annually in loans and credits. The other professionals in OESA are on loan to the Bank's Economic Development Institute, or focus on the review of a specific category of subprojects; one position is vacant.

The disparity between the responsibilities the Bank ascribes to OESA and its staffing, particularly with respect to critical pre-project review, is so enormous that it could risk undermining the creditability of the Bank as an institution in the eyes of the millions of environmentally conscious Americans who form the membership of the organizations which testified last June. It is urgent that something be done to address this problem.

The Bank did not respond directly to the question of the adequacy of its environmental staffing; rather than acknowledging the situation--the facts of which are indisputable,--it stated that "the World Bank, with its Office of Environmental Affairs, is the oldest, largest and most experienced institution dealing with these issues . . ." (Response, p.2) This statement--because it is absolutely true--underscores even more the urgency of the need to address the staffing problem.

We are communicating these preliminary comments because of our concern about the urgency of ongoing environmental deterioration in the developing world. We wish to submit a more detailed response to the Subcommittee to be included in the record of the hearings to be held this spring on authorization of the 7th U.S. replenishment for the International Development Association, and look forward to a continued exploration of these matters in the two next hearings the Subcommittee is planning to hold on the MDBs and the environment in the current Congressional session.

Sincerely,

Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council

Michael Bean
Director, Wildlife Project
Environmental Defense Fund

Bruce M. Rich, Attorney
International Project
Natural Resources Defense Council

Fran Lipscomb
Director, International Activities
National Audubon Society

Barbara Bramble
Director, International Program
National Wildlife Federation

Liz Raisbeck
Legislative Director
Friends of the Earth, U.S.

Jack Lorenz
Executive Director
Izaak Walton League of America

Katherine Fuller
Counsel
World Wildlife Fund, U.S.

Brent Blackwelder
Director, Water Resources
Policy Center
Environmental Policy Center

Pat Scharlin
Director, International Program
Sierra Club

cc: Tom Lovejoy, World Wildlife Fund U.S.
Michael Wright, World Wildlife Fund U.S.
1601 Connecticut Avenue, N.W.
Washington, D.C. 20009

Mr. A.W. Clausen
Dr. James A. Lee, Environmental Advisor
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Mr. James Conrow
Office of Multilateral Development Banks
Robert T. Banque
Office of Multilateral Development Banks
U. S. Treasury Department
15th & Pennsylvania Avenues, N.W.
Washington, D.C. 20002

Lynne Corn
The Honorable Mike Lowry
Member of Congress
1206 Longworth Building
Washington, D.C. 20515

Mr. Huson

Natural Resources Defense Council, Inc.

1725 I STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006
202 223-8210

New York Office
122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office
25 KEARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

January 24, 1984

Mr. A.W. Clausen, President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

We are writing on behalf of eight national and international environmental organizations with over five million members in North America and the Developing World. Our concern is the World Bank Fishery Sector Policy Paper issued in December, 1982.

Bank sector policy papers have great importance for the sustainable management of natural resources, on which successful long term economic development depends. This is not only because of the very large scale of Bank lending, but also because of the policy influence the Bank exercises in borrower countries. The Bank is rightly viewed to be, in most instances, a leader among international development agencies in formulating and implementing ecologically sound policies and procedures.

Thus, we are disappointed that the Fishery Sector Policy Paper fails to mention a number of key and widely accepted principles of fisheries management or refers to them only in an indirect or overly general way. The crisis in world fisheries caused by widespread overexploitation is not addressed, and concepts such as maximum sustainable yield and an ecosystem conservation standard are not mentioned. The paper lacks the rigor which we have come to expect from official Bank statements on technical matters.

We find particularly disturbing the lack of any reference to most of the fisheries management principles set out in the World Conservation Strategy, endorsed by the President of the Bank in 1980, and in the Law of the Sea Treaty, which embodies the arduously developed consensus of almost all Bank member countries on a number of issues critical to sustainable fisheries management.

Most importantly, the paper expresses no clearly stated commitment on the Bank's part to taking specific actions in its project, country, and sector planning, and policy dialogue with

GD We are going to get several more copies of this (see dist. list) and be required to reply - as we should. I suggest Alfredo & EL, and perhaps others (Goodland who probably drafted this) should prepare a draft response for consideration by, say, 2/17.

PP
2/3.

New England Office: 16 PRESCOTT STREET • WELLESLEY HILLS, MA. 02181 • 617 237-0472

Public Lands Institute: 1720 RACE STREET • DENVER, CO. 80206 • 303 377-9740

member governments to ensure that ecologically sound management measures needed to assure sustained fishery production are effectively carried out. The Fishery Sector Policy Paper lacks the vigorous and systematic commitment to conservation set forth in policy speeches by the Bank's two most recent presidents and in the Bank signed 1980 Declaration on Environmental Policies and Procedures Relating to Development.

Wron's
so you say.

We respectfully request that the Bank revise the Fishery Sector Paper to incorporate these concerns. We are offering the attached comments, with specific chapter and page references, in the hope that they will be considered in such a revision. In addition, organizations with in-house fisheries expertise, such as the National Wildlife Federation, would be willing to offer more detailed comments once a revision is begun.

not poss. //
see use //

We suggest that in the future, draft policy papers concerning important natural resource issues be circulated more widely among environmental specialists and organizations to provide a forum for timely communication on critical ecological concerns.

Thank you very much for your attention to this matter.

Sincerely,

Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council

Michael Bean
Director, Wildlife Project
Environmental Defense Fund

Bruce M. Rich, Attorney
International Project
Natural Resources Defense Council

Fran Lipscomb
Director, International Activities
National Audubon Society

Barbara Bramble
Director, International Program
National Wildlife Foundation

Roque Sevilla Larrea
President, Fundacion Natura
Quito, Ecuador

Jack Lorenz
Executive Director
Izaak Walton League of America

Liz Raisbeck
Legislative Director
Friends of the Earth, U.S.

Brent Blackwelder
Director, Water Resources Policy Center
Environmental Policy Center

cc: Katherine Fuller, World Wildlife Fund U.S.
Tom Lovejoy, World Wildlife Fund U.S.
Michael Wright, World Wildlife Fund U.S.
1601 Connecticut Avenue, N.W.
Washington, D.C. 20009

Mr. Ernest Stern, Senior Vice President, Operations
Mr. S. Shahid Husain, Vice President, Operational Policy Staff
Mr. Montague Yudelman, Director, Agriculture and Rural Development
Mr. Visvanathan Rajagopalan, Director, Projects Policy Department
Dr. James A. Lee, Environmental Advisor

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Mr. James Conrow
Office of Multilateral Development Banks
Robert T. Banque
Office of Multilateral Development Banks
U. S. Treasury Department
15th & Pennsylvania Avenues, N.W.
Washington, D.C. 20002

The Honorable Jerry Patterson, Chairman
Subcommittee on International Development Institutions
and Finance
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Lynne Corn
The Honorable Mike Lowry
Member of Congress
1206 Longworth Building
Washington, D.C. 20515

Chapter I: Status and prospects of World Fisheries.

This chapter fails to mention what we believe to be the two most important factors and policy issues concerning the status and prospects of world fisheries during the past decade: overexploitation and habitat destruction. According to the World Conservation Strategy (prepared by IUCN in collaboration with FAO and UNESCO with assistance and advice from UNEP and WWF),^{1/} "Overfishing is the main threat to marine living resources and a significant threat to fresh-water ones" (WCS 4.4). The Strategy also notes that coastal wetlands and shallows, which provide essential habitats for two thirds of the world's fisheries, "are being destroyed the world over, with severe effects on the economies that depend on them most closely." (WCS 2.10)

Overfishing is mentioned only twice, in other chapters in the Paper, as a cause of either full exploitation of stocks or of declines in the total catch of some species (pp. 25, 40), but the real magnitude and policy implications of the problem are never addressed. Again, according to the World Conservation Strategy, "because much utilization of fisheries is not sustainable, their

^{1/} IUCN: International Union for the Conservation of Nature and Natural Resources, Gland, Switzerland; FAO: Food and Agriculture Organization of the United Nations, Rome, Italy; UNESCO: United Nations Educational, Scientific and Cultural Organization, Paris, France; UNEP: United Nations Environment Programme, Nairobi, Kenya; WWF: World Wildlife Fund, International, Gland, Switzerland.

contribution to national diets and incomes is likely to diminish. The result of past and present overfishing is that the annual world marine catch is 15-20 million tons (or about 20%-24%) lower than it might otherwise have been, and at least 25 of the world's most valuable fisheries are seriously depleted." (WCS 4.3)

Chapter I of the Paper attributes the decline in growth of world fisheries supply in the 1970's to "the dramatic drop in the catch of anchoveta in the Pacific Ocean, off Peru and Chile." (p. 13) It does not mention the consensus expressed in the reputable scientific literature on the reasons for this fisheries debacle: overfishing and insufficient attention to ecological data (such as effects of the El Nino current) in determining and enforcing allowable yields. (see Idyll, 1973; Payne, 1977 p. 452) The chapter makes a passing reference to the possibility that "rebuilding and better management of currently depleted or heavily fished stocks (especially anchoveta and herring)" could increase world fisheries production up to 25 million metric tons (p. 12), again without either mentioning the overfishing and lack of sustained yield management which has decimated fisheries worldwide (especially anchoveta and herring). (See Payne, 1977; Idyll, 1973; May et al., 1979). More importantly, this statement and the rest of the Paper ignore growing scientific evidence that many depleted fisheries may never be rehabilitated because seriously overfished marine ecosystems often become permanently altered so that species of commercial importance are replaced in their ecological niches by other species of limited use to humans

(May et al., 1979; Payne, 1977; Idyll, 1973).

Moreover, harvesting of multi-species ecosystems such as fisheries may lead to discontinuous, "catastrophic" collapses which are counter-intuitive and irreversible. (May et al., 1979; May, 1977) "Since these catastrophic changes are seldom, if ever, predictable in a quantitative sense, and since they can be expected to occur in almost any severely exploited ecosystem, the need for conservation and contingency planning is emphasized." (May et al., 1979).

Chapter II: Changing Conditions for World Fisheries.

The second chapter mainly focuses on issues and implications associated with establishment of 200 mile Exclusive Economic Zones (EEZs) in international law. Thus, it is all the more surprising that the Fisheries Sector Policy Paper -- a major policy document of a United Nations family institution -- should so completely ignore the relevant provisions of the Law of the Sea Treaty concerning management of fisheries in the EEZ. The United Nations Convention on the Law of the Sea (UNCLOS) represents the codification of more than a decade of high-level policy discussions concerning the management and exploitation of marine fisheries by nearly all of the participating members of the World Bank. In all probability, this treaty will have entered into force by the time many new Bank fisheries projects are ready for implementation, making the Policy Paper's disregard

of its provisions all the more distressing.

UNCLOS contains 320 articles and annexes. Two articles (56 and 57) define the EEZ and set forth the sovereign rights that pertain to it, codifying what has already become a fact under customary international law: control by coastal states of most of the fish resources of the world. More than forty additional articles, however, set forth agreed policies directly and indirectly relating to management of fisheries resources in the EEZ. Significantly, most of these provisions address environmental and ecological concerns.

In particular, Article 61 addresses the major management issues associated with exploitation of EEZ fisheries. Article 61.2 provides that each coastal state is to ensure, through proper conservation and management measures, the prevention of overexploitation of living resources in its EEZ; and Article 61.3 specifically states that coastal states shall take measures to maintain or restore populations of harvested species at levels which can produce the maximum sustainable yield (MSY). Article 61.3 includes a list of qualifying factors which coastal states can take into account in addition to MSY in setting allowable catch limits; some of these factors are economic (e.g., particular needs of coastal fishing communities) and others are environmental, such as the interdependence of stocks. Article 61.4 requires that the coastal state take into account effects on species associated with or dependent on the harvested species -- with the view that populations of dependent or associated species be maintained or restored -- at a level where their reproduction

is not seriously threatened.

The principle set forth in Article 61.4 -- sometimes referred to as an "ecosystem conservation standard" -- was incorporated into the most recent major regional fisheries convention, the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR), which regulates fishing in the Southern Ocean surrounding Antarctica. This Convention has as signatories many of the world's leading fishing nations, including Japan, Chile, the USSR and Norway. With respect to Article 61, one international legal commentator noted that "What is of particular importance in these provisions is that they apply to all species, whether they are the subject of a commercial fishery or of no economic importance, and that they contain the obligation to regulate direct or indirect effects of fishing on these species so that their populations be maintained at sufficiently high a level to make their extinction impossible....(states are) bound to preserve species not for their immediate economic value but because of the role they play in the ecosystem" (de Klemm, 1981).

In as much as Article 61 sets forth management principles to prevent overexploitation, Article 62 sets forth the principle of "optimum utilization" of living resources in the EEZ so as to avoid underexploitation of resources in a hungry world. Under 62.1, states are to determine what part of the allowable catch of target species they wish to harvest in their respective EEZs, and then allow other states to harvest the remainder, provided, of course, that all states follow the strict conservation principles

set forth in Article 61.

In UNCLOS, as in the World Conservation Strategy, conservation (including conservation of non-commercial species) and optimum utilization are inextricably dependent on one another and linked: conservation is the prerequisite for rational utilization. Incredibly, this critical policy principle is never articulated in the Bank's Fishery Sector Policy Paper; conservation is mentioned only once, in Chapter 4, as a "benefit" of fisheries development rather than its sine qua non.

Moreover, an entire part of UNCLOS -- part XII -- deals with "Protection of the Marine Environment." Article 192 establishes a general obligation of states to protect the marine environment, and Article 197 obliges states to cooperate in formulating international standards, rules and practices to bring about that end. Article 194.5 provides that states take measures to protect and preserve fragile or rare marine ecosystems and the habitats of depleted or endangered marine species. Nowhere in the 79 pages of the Sector Policy Paper are these universally recognized marine ecological concerns mentioned.

In addition, both UNCLOS (Article 206) and the World Conservation Strategy emphasize the importance of environmental assessment by coastal states of all activities, land-based or marine, which may have harmful effects on the marine environment. Article 205 of UNCLOS obliges states to communicate reports of these assessments "to the competent international organizations which should make them available to all States." The Policy Paper does include (p. 45, Chapter 4) a full paragraph

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on the need for a cross-sectoral approach in planning so as to take into account impacts of industrial, energy or agricultural activities on fisheries resources. However, exactly how the Bank plans to ensure this -- mandatory early environmental assessment is one of the more commonly accepted means worldwide -- is neither made clear here, nor later in the Policy Paper in Chapter 5, "The Role of the World Bank."

Finally, the Fishery Sector Policy Paper makes no mention of the growing number of Regional Seas treaties and Action Plans associated with the Regional Seas Programme of the United Nations Environment Programme (UNEP). This program has promoted a number of international agreements and protocols to address problems of environmental management and assessment in the world's major regional seas including problems associated with management and conservation of fisheries stocks and their habitats. Seas for which the littoral countries have adopted Action Plans and signed regional marine environmental management treaties include the Mediterranean, the Caribbean, the Arabian-Persian Gulf, the Red Sea and Gulf of Aden, West Africa, and the East Asian Seas.

To summarize: Chapter Two -- and the entire Fishery Sector Policy Paper -- ignores many of the major resource management issues associated with extension of the EEZ, issues which have been identified and agreed upon by the vast majority of Bank member states in UNCLOS, in regional agreements, and by the President of the Bank in 1980. These issues include adoption of a modified standard of Maximum Sustainable Yield, and/or of an "ecosystem conservation standard" to maintain or restore

harvested populations, conservation of non-target, non-harvested species dependent on marine ecosystems, optimum utilization (on a conservation base) of EEZs; and protection of habitats of depleted, rare or endangered marine species. The issues discussed in Chapter Two are limited mainly to questions of micro-economics ("the type of industry to employ; the amount to invest in supporting infrastructure," etc.) (p. 24) Reference is made to devising and enforcing regulations (p. 25) without ever mentioning the principles on which such regulations must be based. Overfishing is mentioned (pp. 24-25) as a constraint to potential development of stocks, rather than as the catastrophic consequence of past development and management based on short term micro-economic considerations instead of on scientific, biologically sustainable principles. These principles have been incorporated into the more recent international fisheries agreements such as UNCLOS and CCAMLR.

Chapter 3: Structure and Dynamics of the Industry.

Nowhere in this chapter or in the rest of the Paper is there mention of the critical importance of intact coastal wetlands and shallows--especially mangroves and estuaries--for the economic sustainability of world fisheries, both off-shore and coastal. According to the World Conservation Strategy, the life cycles of species utilized by two-thirds of the world's fisheries are dependent on the ecological integrity of these endangered coastal

ecosystems which serve as spawning, nursery and foraging grounds (2.10). In some tropical and semi-tropical areas, such as the Gulf of Mexico, up to 97% of commercially exploited species are dependent on these habitats. The Paper's vague reference to the need for cross-sectoral planning on p. 45 is neither explicit enough nor sufficiently focused to indicate any serious and meaningful consideration of this crucial policy issue. Surely, a major objective of World Bank fisheries policy should be to ensure that non-fisheries sector projects do not destroy or harm the biological underpinnings of future fishery development.

Chapter 4: Development Objective, Constraints and Options.

Conservation of marine resources is described as a development objective (pp. 39-40) or benefit (p. 6) among others, along with such economic and social goals as increasing incomes and foreign exchange, and improving nutrition. But conservation is not, especially in the case of management of living resources, a post hoc benefit, nor is it only one objective among, or equivalent to, others. It is, in the words of the World Conservation Strategy, "that aspect of management which ensures that utilization is sustainable and which safeguards the ecological processes and genetic diversity -- essential for the maintenance of the resources concerned." (WCS 1.6, emphasis added)

Conservation has been recognized worldwide as the

prerequisite and first principle of natural resource development, which makes possible the sustainable realization of other objectives such as increased foreign exchange, improved nutrition, or increased incomes.

According to the World Conservation Strategy, conservation of living resources is to be achieved through the realization of three principal objectives:

1. The maintenance of essential ecological processes and life support systems (it has already been noted that, for fisheries, coastal wetlands and shallows are particularly critical habitats);
2. The preservation of genetic diversity (addressed by Articles 194.5, and 61.4 of UNCLOS);
3. Sustainable utilization of species and ecosystems (for whichMSY and an "ecosystem conservation standard" are particularly important).

It is surprising and disappointing to find no mention of these three principles in the Chapter dealing with development objectives or anywhere else in the paper.

Moreover, the problem of incidental capture of non-target species is never raised nor addressed. Incidental take is responsible for the destruction and waste of over 7 million metric tons of fish a year (more than 10% of total world annual

fish harvests in recent years) (WCS 4.5). Several species of sea turtles are threatened with extinction through incidental catch, and incidental catch of cetaceans, especially dolphins and porpoises, is greater than intentional harvesting. Surely, the Bank should make a commitment to ensure that measures to deal with this problem be considered in its fisheries projects. These measures include modifications of fishing gear and methods, and establishment of closed seasons or protected areas for some fisheries. International agreements such as the Inter-American Tropical Tuna Convention already require the adoption of such methods.

The discussion in Chapter 4 on constraints to fisheries development also gives little consideration to the enormous importance of conservation. Mention is made only that "aggressive fishing practices can...alter the reproductive cycles of species" and that overfishing can cause problems in fisheries dealing with migratory or mobile species.

This discussion fails to point out the following fundamental constraints to fisheries development, constraints which are threats to the resource itself: overexploitation, habitat destruction, and pollution.

The options and strategy that should follow from these conservation objectives and constraints (which the paper omits) should therefore include: assurance "that the principal management goal for estuaries, mangrove swamps and other coastal wetlands and shallows critical for fisheries is the maintenance of the processes on which the fisheries depend (WCS, 5.7);

"adoption of conservative management objectives for the utilization of species and ecosystems (WCS, 7.41);" and reduction of "incidental take" as much as possible (WCS, 7.5)."

Chapter 5: The Role of the World Bank.

This chapter notes that the Bank will rely heavily on outside agencies -- especially FAO -- to provide technical assistance in the fisheries sector. In light of this statement, it is especially surprising that no mention is made of the World Conservation Strategy and its principles, since the WCS was prepared in collaboration with FAO, as well as endorsed by the President of the World Bank.

On the very last page there is a single paragraph which refers in very general terms to the possibility that the Bank "can" or "may" play a role in disseminating information on the environmental consequences of development projects and in promoting natural resource conservation programs or institutions. This is not the systematic and substantive commitment to the essential role of conservation in the development of natural resources that has been set forth in the speeches of the two most recent Bank presidents, the World Conservation Strategy, UNCLOS, and the 1980 New York Declaration on Environmental Policies and Procedures Relating to Development. In the recent words of the Bank's president, "... in order to be sustainable, development must include vigorous and

studied attention to resource management" (Clausen, p.10). "For sustainable development and wise conservation are, in the end, mutually reinforcing--and absolutely inseparable--goals."

(Clausen, p. 19)

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Mr. Clausen's Meeting with Representatives
of Environmental and Population Groups

February 24, 1984

Participants

World Bank

A.W. Clausen, President
Roy Southworth, EXC
V. Rajagopalan, PPDDR
James A. Lee, PPDES
Judith Maguire, IPAPAD

Others

Tom Stoel, Natural Resources Defense Council
Bruce Rich, Natural Resources Defense Council
Barbara Bramble, National Wildlife Federation
Brent Blackwelder, Environmental Policy Center
Phil Claxton, Population Crisis Committee
Joseph Tydings, Population Crisis Committee

Discussion - Environmental Issues

1. Tom Stoel, speaking for the environmental groups, opened the discussion. He said that, in the view of those he represented, much improvement was needed in the way the Bank addressed environmental issues. He noted that the groups represented in the meeting had an extremely large and powerful membership, whose support could be valuable for the Bank's efforts to secure funding for IDA. However, Mr. Stoel warned that in order for the groups to be credible to their supporters, they were compelled to point out the shortcomings they perceived in Bank programs. He also said that they needed to be able to point to progress in meeting their concerns if they were to support IDA. The first "deficiency" he pointed out was that Jim Lee's office was, in their view, seriously under-staffed. They felt that, as constituted, the environmental unit could not possibly address all the environmental issues arising out of Bank projects.

2. In reply, Mr. Clausen stated that we should be held accountable for what we do and not for the size of a particular staff or budget. He said that "... you should not let the size of Dr. Lee's staff mislead you as regards its clout throughout the Bank." He further stated that "... Jim Lee can access the totality of the Bank's resources." Mr. Clausen pointed out that the Bank is a line organization and that responsibility for all aspects of project work rests with the Regional Offices. Mr. Rajagopalan indicated that the Environmental Office reviewed all projects in cooperation with Regional staff, and provided guidance and assistance, as well as training. Where additional specialized assistance was required, consultants could be, and were, hired.

3. Mr. Stoel then went on to say that more progress was needed in natural resource management, and that in general World Bank documents did not reflect a sensitivity to the environment. Mr. Clausen noted that the next WDR would focus on population issues, but that otherwise this was a fair and constructive criticism. He said that the Bank wants to broaden and deepen the policy dialogue. However, Mr. Clausen made a very strong statement that he did not think it was appropriate for these groups to withhold support for IDA simply because they did not like some of the things the Bank was doing (or not doing) in the environmental area. He said that the problems of poverty in the developing countries which IDA is trying to address are of far more immediate importance overall than issues such as environment and population. He said the Bank knew it had more to do in both areas, but that these groups shouldn't "hold hostage your support because we're not perfect."

4. Barbara Bramble of the National Wildlife Federation emphasized that the Bank lacked expertise to ensure that resource management issues were being adequately addressed, particularly in the areas of forestation and water resource management. She said that more strategic thinking on the environment is needed, and that more emphasis should be put on sustainable development. She also reiterated that while many groups might wish to support the Bank, they felt that these shortcomings would need to be addressed. Mr. Clausen reacted that, while he appreciated the offers for support, he objected to the implicit threat that such support would be held hostage to these groups' particular special interests. He emphasized that the groups and the Bank had a similar overall objective of sustainable development. He agreed that a dialogue on how best to achieve this objective would be worthwhile, but again reemphasized that their concerns should not divert them from lending their support to IDA.

5. Mr. Clausen said that he was also aware of the particular concerns which Ms. Bramble had with regard to the fisheries sector policy paper, and agreed that there quite obviously were some problems in that area. He suggested that a follow-up meeting with senior Bank managers be arranged so that projects with specific problems could be identified and discussed.

6. Mr. Stoel noted that they all sought a better understanding with the Bank, but that they had been frustrated by the Bank's response to their concerns. He particularly noted what he termed the Bank's evasive and unconstructive response to the issues raised in their testimony at Congressional hearings last spring. Mr. Clausen noted that he had seen the letter they had written to congressman Jerry Patterson, and said that "if you're so upset, why not come in here to talk to us before you talk to Patterson." He said that in his view it was only fair that they should give the Bank a chance to discuss their concerns before they found it necessary to go to the Congress with them.

7. Mr. Clausen on several occasions made the point that "the countries themselves are limiting public investments to stay alive." He said it was very hard to get countries to concentrate on environmental or similar issues when their attention is on survival. He said that it takes

two parties to achieve progress, and that the projects we do reflect the concerns of the countries we work with. However, he said that "we will make every effort to see countries don't forget issues we care about." He also noted tht there was a real cut in IDA resources of around 40%, and that one billion people had been added to the number of those IDA tries to reach. In these circumstances, it was clear that there would be limits to what the Bank could do.

Discussion - Population Issues

8. Phil Claxton of the Population Crisis Committee noted his earlier meeting with Mr. Clausen and Ambassador Green. Since then Mr. Claxton had visited Liberia and Nigeria; he said he felt that while the Bank was making some progress in these countries, he was somewhat disappointed that more was not being done. In response Mr. Clausen noted that these and other countries had faced severe short-term economic problems that in some instances forced governments to shift their priorities away from longer-term development programs.

9. Former Senator Tydings noted that he and those he worked with were cognizant of Mr. Clausen's real concern about population, resource management and environmental safeguards. However, he noted that they operated in a political arena, and that in this context, perceptions were important. He went on to say that the perception was that "when you get to the Vice President and the career staff," these people are not really concerned about population and the environment. He said that the perception was that the Bank was paying mere lip service to these concerns and that it was doing very little of substance to correct the shortcomings that had been identified. Senator Tydings felt it was important to begin work to change this perception. Mr. Clausen said that he felt that this perception was not necessarily correct. However, he again noted that it takes two to cooperate; countries don't always have the same priorities as the Bank. However, he agreed that there was not enough focus on these issues, and that the Bank needed to do more in the areas of nutrition, health, population and environment.

10. Senator Tydings suggested that perhaps an outside advisory group could be convened to evaluate Bank programs in these areas. He also noted that Bank support for a Brazil conference on population had done much to indicate the Bank's concern and leadership; he said that actions such as these were invaluable in helping to achieve more widespread support for the Bank as an institution. Mr. Clausen closed by saying that we clearly needed to do more, and that it was certainly not true that these issues are being buried. He said that he would see that follow-up meetings were set up with senior management and representatives of both the population and the environmental groups so that their concerns could be addressed in a constructive fashion.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address INTBAFRAD
Cable Address INDEVAS

February 27, 1984

Mr. Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense Council, Inc.
1725 I Street, N.W., Suite 600
Washington, D.C. 20006

Dear Mr. Stoel:

Mr. Clausen has asked me to thank you for your letter of January 24, 1984, and to confirm the Bank's appreciation of your keen interest and concern regarding the proper management of natural resources in developing countries.

Let me assure you that the Bank is fully aware of the potential effects that economic development can have on the environment. Our long and continuing concern with the management of natural resources applies as much to the fishery sector as to any other. This recognition has been well documented and reflected in the Bank's policy statements, as you are aware. I therefore note with concern your comments on the Fishery Sector Policy Paper.

In this respect it seems surprising, however, that you choose to consider this paper in isolation from the various complementary documents which outline the Bank position on environmental issues and natural resources management. We in the Bank certainly do not view the paper in this way.

Sector policy papers have many uses and many limitations. They are global in nature and must of necessity address a broad range of issues relating to development of the sector. This is true of the fisheries paper which deals with a very complex sector and has as a primary concern the well being of literally millions of poor fishermen and their families. Clearly, there is no way that their long-run welfare can be separated from issues of resource management, and this recognition is reflected throughout the paper.

While it is clear that the Fishery Sector Policy Paper does not review in detail the natural resource management issues outlined in the various reports you have cited, this does not mean that the Bank is or was unaware of them. Rather, the opposite was true. I believe a careful reading will show that the sector management issues are discussed throughout the sector paper in a way wholly consistent with the principles embodied in the World Conservation Strategy and in the Law of the Sea Treaty. Your reader will have noted that some of the information used in the Fishery Sector Policy Paper was taken from the World Conservation Strategy paper.

Rather than reviewing or criticizing the documents you cite, the Fishery Sector Policy Paper sought to address the issues in operational terms. In this respect a major concern of the paper is with the development of sector management institutions. The Bank has found consistently in its activities that improved management principles and criteria can only be adopted if the institutional arrangements and trained manpower are in place to implement them. Once a country reaches the implementation stage the principles and criteria laid out in general terms in the World Conservation Strategy and various other documents, need to be evaluated and adjusted to fit the particular circumstances pertaining in that country, and then passed into law, before they can be enforced. This process of policy formulation and implementation is a complex and difficult one, which explains why the Fishery Sector Paper puts its emphasis on country capacity for sector management and the Bank's means and ability to help them in this.

It is difficult to discuss these matters in detail in a letter of this kind. We value your views and would welcome a greater exchange with you should you wish it. The Bank's Fishery Adviser and the staff of the Environmental Unit will be pleased to discuss these matters further with you and your colleagues.

May I conclude by assuring you of the Bank's continuing interest and concern regarding environmental and resource management issues in developing countries. The Bank recognizes these as being of increasingly pressing importance as economic growth and development proceed. Because of this we welcome your support and encouragement in addressing these issues to greater effect in the future.

Yours sincerely,

S. Shahid Husain
Vice President
Operations Policy

Natural Resources Defense Council, Inc.

1725 I STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006
202 223-8210

#230
#63
New York Office

122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office

25 KEARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

March 7, 1984

Mr. A. W. Clausen, President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

We are very pleased to have had the opportunity to meet with you to discuss our ongoing activities before the Congress concerning the World Bank, particularly the Seventh Replenishment of the International Development Association. We thank you for taking, on such short notice, more than an hour out of your schedule to talk over matters of common concern and interest.

Collectively, as you know, the undersigned organizations represent over five million members and supporters, which is potentially a new constituency in this country of considerable importance for multilateral development assistance. Our groups have successfully entered the legislative arena on numerous occasions in the past to promote or defend issues of concern to our memberships; this is the first of what may be many times that we are supporting legislation to fund the World Bank.

We share the same development goals as IDA and the rest of the Bank. Our concerns go to the heart of the development process itself, since poverty and environmental deterioration in large parts of the developing world are inextricably related. Sustainable economic development is not possible without concrete measures at all stages of the project cycle to ensure sound management of natural resources and biological systems.

We were pleased to be able to report back to our members your statement that the Bank and its staff need to focus more on natural resource management issues. Your strong expression of the need for a direct, broadened and in-depth dialogue with our organizations on these issues is welcome. We were encouraged by your acknowledgement that more attention needs to be given to natural resources and environmental management in the Bank's

New England Office: 16 PRESCOTT STREET • WELLESLEY HILLS, MA. 02181 • 617 237-0472

Public Lands Institute: 1720 RACE STREET • DENVER, CO. 80206 • 303 377-9740

Mr. A. W. Clausen

March 7, 1984

Page 2

policy documents. A case in point is the Fisheries Sector Policy Paper, which you acknowledged was seriously inadequate. We reported to the other signers of the Fisheries Paper critique your statement that you found our comments to be constructive, and that you subscribed to the suggestions we made to the Bank. We therefore were looking forward to the Bank's response to our analysis and to an outline of specific actions the Bank would take to remedy the serious deficiencies which you agreed characterize the Fisheries Sector Paper.

We are disturbed and perplexed, however, by the reply we have just received from Mr. Husain, Vice President for Operations Policy. The letter indicates that the Bank has no plans--and does not consider it necessary--to remedy the deficiencies we identified in our comments. It contradicts directly the unambiguous sense of our discussion with you.

Since we submitted our fisheries comments for the record at the House IDA authorization hearings--and plan to do so in our scheduled appearances at the Senate IDA authorization and appropriations hearings--the Bank's reply already puts at risk our credibility in supporting IDA, not only with our own constituencies but with the U.S. Congress. It serves as an example of the very concerns we expressed to you at our meeting, that the Bank is not implementing its official statements on natural resources management in its policy and project work.

At the time of our meeting with you we were pleased to hear you express the desire of the Bank to pursue a dialogue at the highest level on natural resources issues. The first step, as you agreed, is setting up meetings between representatives of our groups and the vice presidents of the Bank. We agree with you that such discussions should be of a substantive nature to provide more detailed information on what the bank is doing at the operational level in the area of natural resources management and environmental planning. As you suggested, we will be in touch with your assistant, Mr. Southwark, about the scheduling of the first meetings with the Bank's vice-presidents.

We have prepared an outline, which is attached, of actions the Bank could initiate to remedy some of the most serious deficiencies we perceive in its programs and policies with respect to natural resource management. Many of these actions could be undertaken promptly, with little or no expense for the Bank. For example, steps could be taken immediately to begin the preparation of policy papers and directives to implement III B (Incorporation of natural resources concerns and expertise in country dialogues), IV A (career incentives for increased consideration of natural resources management) and IV B (periodic progress reports from the regions).

Mr. A. W. Clausen
March 7, 1984
Page 3

We wish to thank you again for the time and consideration you personally gave us to initiate a direct dialogue on management concerns which we all have agreed publically are essential for the realization of sustainable, successful economic development.

In closing, we must emphasize that we await some indication in the near future that the Bank's management takes its own policy statements on environment seriously enough to undertake concrete actions to remedy substantiated, major deficiencies, as set out in the attached "Outline". As we stated, the very basis of the credibility of our continued public support for the Bank is at stake. The most immediate example of such deficiencies--as you yourself acknowledged--is the inadequate treatment of resource management in the Fisheries Sector Paper. With respect to that document, we await from the Bank an indication of what it plans to do and when. The response we have just received clearly does not reflect either the substance or the spirit of the comments you made to us concerning this matter.

We thank you for your attention and concern.

Sincerely,

Thomas B. Stoel, Jr.
Director, International Project
Natural Resources Defense
Council

Bruce M. Rich, Attorney
International Project
Natural Resources Defense
Council

Barbara Bramble
Director, International Program
National Wildlife Federation

Brent Blackwelder
Director, Water Resources
Policy Center
Environmental Policy Center

Enclosures

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March 13, 1984

Mr. J. Gary Taylor, Ph.D.
Senior Policy Advisor
Sierra Club International
Earthcare Center
New York, New York 10017

Dear Mr. Taylor:

Mr. Clausen has asked me to thank you for your letter of February 3, 1984, and to confirm the Bank's appreciation of your keen interest and concern regarding the proper management of natural resources in developing countries.

Let me assure you that the Bank is fully aware of the potential effects that economic development can have on the environment. Our long and continuing concern with the management of natural resources applies as much to the fishery sector as to any other. This recognition has been well documented and reflected in the Bank's policy statements, as you are aware. I therefore note with concern your comments on the Fishery Sector Policy Paper.

In this respect it seems surprising, however, that you consider this paper to be in isolation from the various complementary documents which outline the Bank position on environmental issues and natural resources management. We in the Bank certainly do not view the paper in this way.

Nor do we see environmental concerns as being in conflict with development. In this case the paper has as a basic tenet that the small-scale fisherman is an integral part of a fragile environment.

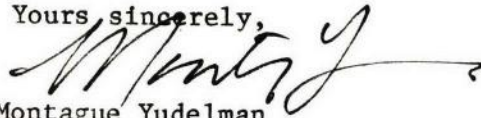
Part of the problem comes from the nature of sector policy papers which have many uses and many limitations. They are global in nature and must of necessity address a broad range of issues relating to development of the sector. This is true of the fisheries paper which deals with a very complex sector and has as a primary concern the well being of literally millions of poor fishermen and their families. Clearly, there is no way that their long-run welfare can be separated from issues of resource management, and this recognition is reflected throughout the paper. I believe a careful reading of the Fishery Sector Policy Paper will show that the sector management issues are discussed throughout the paper in a way wholly consistent with principles of environment and resource management which you would support.

In this respect, a major concern of the paper is with the development of sector management institutions. The Bank has found consistently in its activities that improved management principles and criteria can only be adopted if the institutional arrangements and trained manpower are in place to implement them. Once a country reaches the implementation stage the principles and criteria laid out in general terms in the World Conservation Strategy and various other documents, need to be evaluated and adjusted to fit the particular circumstances pertaining in that country, and then passed into law, before they can be enforced. This process of policy formulation and implementation is a complex and difficult one, which explains why the Fishery Sector Paper puts its emphasis on country capacity for sector management and the Bank's means and ability to help them in this.

It is difficult to discuss these matters in detail in a letter of this kind. We value your views and would welcome a greater exchange with you should you wish it. The Bank's Fishery Adviser and the staff of the Environmental Unit will be pleased to discuss these matters further with you and your colleagues.

May I conclude by assuring you of the Bank's continuing interest and concern regarding environmental and resource management issues in developing countries. The Bank recognizes these as being of increasingly pressing importance as economic growth and development proceed. Because of this we welcome your support and encouragement in addressing these issues to greater effect in the future.

Yours sincerely,



Montague Yudelman

Director

Agriculture and Rural Development Department

February 9, 1984

Dear Dr. Taylor:

Thank you for writing with your concerns about our Fishery Sector Policy Paper. You have joined other organizations who have raised such issues and we welcome the opportunity to clarify our position. I have passed your letter to Shahid Husain, our Vice President for Operations Policy. He or one of his colleagues will be in touch shortly with a response to the points you have raised.

Sincerely,

A handwritten signature in black ink, appearing to be 'A. W. Clausen', with a stylized, sweeping flourish.

A. W. Clausen

J. Gary Taylor, Ph.D.
Senior Policy Advisor
Sierra Club International
Earthcare Center
228 East 45th Street
New York, New York 10017

cc: Mr. S. Shahid Husain
(w/inc. #79)

VRS:sb



7A
February 3, 1984

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

A number of our fellow organizations have called our attention to the recent World Bank Sector Policy Paper, "Fishery", prepared in 1982 for presentation to the Executive Directors, and also to a collective NGO response urging a stronger focus on conservation goals in the development and management of fisheries. While we concur with many of the points raised in the NGO response, especially those which call attention to certain principles set forth in IUCN's World Conservation Strategy, we would prefer to shift our emphasis to other aspects of the paper.

not so
Although there are a number of encouraging points raised, we believe the paper is flawed in its central premise: it treats environment as a separate sector, and the result is that it comes to the surface of the discussion almost as an afterthought. This confusion is not unique to the World Bank, but it leads to a formulation in which "environment" is placed in conflict with "development".

It is our view, and that of a growing number of professionals involved in development, that if development is to be sustained over time, this perceived conflict needs to be discarded and replaced with an institutional recognition that no development activity can be considered successful which does not recognize the importance of maintaining ecosystem functioning. We believe, further, that the World Bank is in an unusually powerful position to articulate this perspective to host governments.

On the positive side, our members and an increasing number of NGOs around the world with whom we are in contact, are developing a keener interest in and understanding of international conservation issues. We believe they would be encouraged with the extent to which Bank policy papers are beginning to reflect environmental values. In particular, we felt the statement, that "bank-supported projects will, whenever possible ... develop environmental policy," was a significant advance, though still somewhat vague. We were also pleased to note that one of the four development objectives (p.39) is "Conservation of the Resource". In view of the fact that the world is faced with a long list

of depleted fish stocks, brought about by advanced fishing techniques, increased world demand and degradation of coastal habitats, this development objective is, in our view, absolutely essential. We hope that the Bank will aggressively promote natural resource conservation programs and institutions and consistently advise host governments of the Bank's interest in those matters.

In terms of future projects, we agree that the shift of strategy toward the development of small-scale in-shore coastal fisheries is important, particularly since the indigenous fishermen have evolved a knowledge of the local marine ecology which has permitted sustainable exploitation over time.

It is precisely in these in-shore coastal fisheries, however, where we believe the sector paper does not fully address a central conservation issue, i.e., the absolute requirement to establish inviolate reserves which will permit the preservation of biological diversity and natural evolution of species over time. If fisheries are to make as complete a transition to domestication as crop production has done, the genetic base of this industry must be preserved. The World Bank is ideally situated to encourage countries to review their protected area system and to add marine ecosystems, including the upland sources of nutrients and other essentials on which habitat depends. The Bank should also seriously consider preparing a comprehensive inventory of living resources of such areas looking toward development of a total "ecosystem" approach to harvesting marine living resources, as was called for, for the first time, in the Convention for the Conservation of Antarctic Marine Living Resources.

Beyond the establishment of new reserves, the World Conservation Strategy calls for the recognition that the principal management goal for estuaries, mangrove swamps and other coastal wetlands and shallows is the maintenance of the processes on which the fisheries depend. The Sierra Club is now completing a project in cooperation with host governments and UNEP, which identifies management guidelines for mangrove ecosystems in Venezuela and Trinidad and Tobago. We will be pleased to share the results with World Bank personnel when they are available.

Finally, we are concerned that the World Bank will not be able to implement the bold policy statements promulgated at the highest level without putting substantially more resources toward bringing in the expertise necessary to analyze development opportunities in the light of ecological constraints, and structuring the project process to allow insights from the biological sciences to illuminate the decisions made during the planning process.

Polls in the United States have consistently shown that a majority of the American people believe in the importance of a healthy and functioning natural environment. We believe that many of these people

represent a potential constituency for foreign aid programs provided the World Bank and other development assistance institutions bring conservation more strongly into focus in their work.

In view of the increasing interest in these matters, we are taking the liberty of sending copies of this letter to a few other people. We would welcome an opportunity to discuss these points with appropriate Bank officials in the near future.

Very truly yours,



J. Gary Taylor, Ph.D.
Senior Policy Advisor
Sierra Club International
Earthcare Center

JGT:rb

cc: Marc E. Leland, U.S. Dept. of Treasury
Rep. Jerry M. Patterson
Patricia J. Scharlin, Chairman, ACIC
Kenton Miller, Director General, IUCN

Dr Lee
D-1009

March 13, 1984

Jim:

Here is a quick and dirty summary of my minutes of Mr. Clausen's meeting with members of the Environmental, Population and National Resources groups. They are by no means complete but I hope they will help you put together the records of meeting.

Mr. Stoel started the meeting by making the point that they would like to help the Bank, and IDA in particular, by offering their political support. He noted that the groups represented in the meetings had an extremely large and powerful membership whose support could be valuable for the Bank's efforts to secure adequate funding levels. But Mr. Stoel warned that in order for the groups to be credible in their support they were compelled to point out shortcomings they perceived in Bank programs. One of these shortcomings that Mr. Stoel referred to was in the area of staffing. It was the opinion of the groups represented in the meeting that for environmental and natural resources expertise in the Bank was sorely lacking. They felt that Dr. Lee's environmental unit could not possibly address all the issues that arise in the Bank projects.

In response Mr. Clausen noted that the Bank's work in the areas of concern was not limited to Dr. Lee's unit. There was a large number of ongoing efforts in the Bank that was supported by Dr. Lee's unit which provided policy work, seminars, and training. While the groups appeared to

accept this type of approach they noted that there were many problems with individual projects which suggested that the Bank needed to do more in this area. It was agreed that follow-up meeting would be arranged so that the projects with specific problems could be identified and discussed.

Another concern expressed by Mr. Stoel was that none of the Bank's major publications such as the WDR, the Annual Report and others contained any reference to environmental or natural resources conservation issues. Mr. Clausen noted that this was a fair and constructive criticism. He then went on to explain the plans for the upcoming WDR which will have population as its main theme.

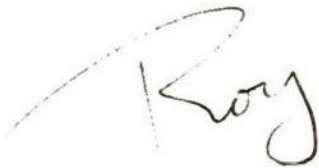
On population Phil Claxton of the Populations Crisis Council noted his earlier meeting with Mr. Clausen and Ambassador Green. Mr. Claxton had since the meeting an occasion to visit Liberia and Nigeria and felt that while the Bank was making some progress in these countries he was somewhat disappointed that more was not being done. In response Mr. Clausen noted that these and other countries had faced severe short-term economic problems that in some instances forced governments to shift their priorities away from longer term development programs.

Barbara Bramble of the National Wild Life Federation emphasized that the Bank lacked expertise to ensure that resource management issues were being adequately addressed particularly in the areas of forestation and water resource management. She also reiterated that the groups would wish to support the Bank's effort but felt that such shortcomings would

need to be addressed. Mr. Clausen reacted that while he appreciated the offers for support he resented the implicit threat that such support would be held hostage to these groups' particular special interests. He emphasized that the groups and the Bank had a similar overall objective of sustainable development. He agreed that a dialogue on how best to achieve this objective would be worthwhile but again reemphasized that their concerns should not divert them from lending their support for IDA.

Senator Tidings of the Population Crisis Council pointed to a perception that the Bank's commitment to population growth, resource management and environmental safeguards as expressed in the President's office was not shared by the staff at large. In essence he said the perceptions was that the Bank was paying mere lip service to these concerns and that it was doing very little of substance to correct the shortcomings that had been identified. Mr. Clausen said that these perceptions were false that the Bank was committed to the concept of sustainable development environmental safeguards and population control. He again urged that follow-up meetings be arranged so that the concerns of the groups could be addressed in a constructive fashion.

This is essentially the end of the minutes I have Jim.

A handwritten signature in cursive script, appearing to read "Roy". The signature is written in dark ink and is positioned below the main body of text.

VRS:sb